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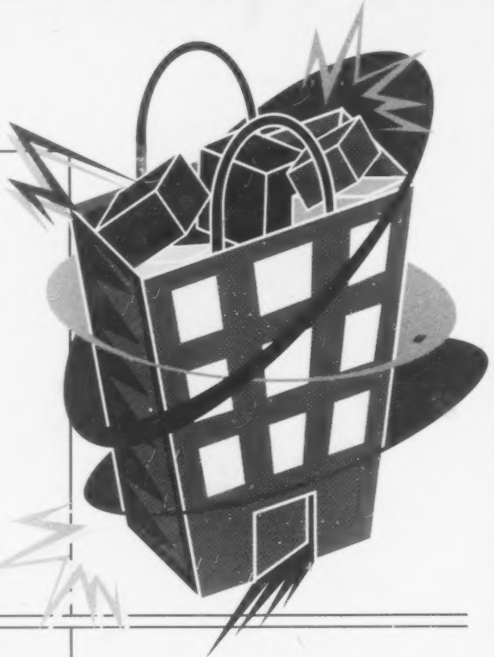

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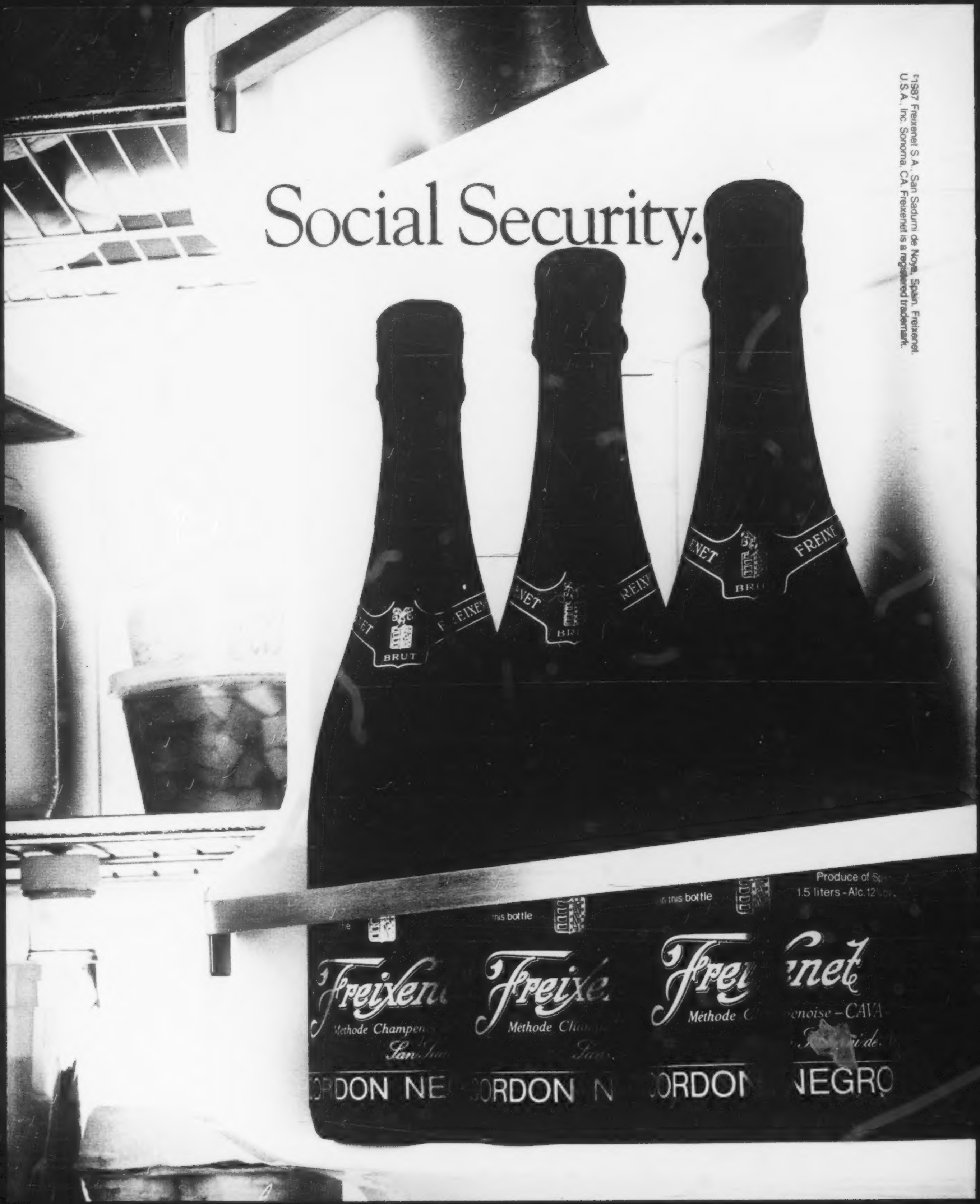
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In This Issue:

[Special Report 1] We are pleased to inaugurate the magazine's new design with this quarter's special report on investing in Spain. Addressing the legal, economic and financial topics of our chamber's full-day corporate seminar in New York City entitled – "Spain Today: The Emerging Platform for Business with Europe," our report provides public and private sector insights for U.S. companies in their approach to business opportunities in the Common Market through Spain. It is a report made especially timely by the current recession-driven surge in exports to Europe and by the unprecedented level of foreign investment in Spain.

[U.S. Business 19] Our "U.S. Business" section presents several essays about the marketing strategies of five "Spanish" companies in the United States. While they have all experienced success, each company faces industry-specific challenges in their efforts to sustain and increase market share. Tackling these challenges is made more urgent by their parent companies' bout with the high peseta/dollar exchange rate.

[Spain Survey 27] An industry analysis of Spanish retailing is our feature in "Spain Survey." This article explains how the sector is changing rapidly in response to a boom in consumer demand and imports that began in 1986 with Spain's entrance into the European Community.

—ALEXANDER ROBARTS
Editor-in-Chief

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Communication Tools for the Future

Live coverage of the upheavals in Eastern Europe and similar events worldwide, would have been unimaginable just twenty years ago. Should they have happened then, probably no outsider would have had the opportunity to know about them. Thus, history might have developed in quite a different way. In making us witnesses to such historic events, communication itself might have changed the path of history.

Business, often believed to be the "hidden force" behind many political developments, is not an exception to the sweeping effects of evolving communication technologies. For example, a recently popularized business communication tool, the fax, has become an indispensable instrument to most executives in just a few years.

Senior managers in freightforwarding, international trade, banking and commercial services recognize how deeply their businesses have changed in the last two decades. Few basics remain the way "they used to be". The traditional competitive edge in international business, once provided by getting information a bit faster and sooner, has become more difficult and insufficient. In addition, clients and customers demand better service, a "relationship," to be accomplished only through fluid and open communication with them.

Therefore, a concerted effort in communicating better is mandatory. We, at the Chamber, believe that our goals and activities should always be in accordance with the times and the real needs of society and the business community we are meant to serve. Consequently, as the platform for communication links within the Spanish-American business community, we have made an extraordinary effort to create and develop innovative communication tools.

The Business Link you are about to read, as well as the Link Letter you will receive from now on, are designed to fulfill this need for communication and mutual knowledge to promote more frequent and effective, durable Spain-USA business partnerships.

As we enter a new year, on behalf of our President, our Board of Directors and the devoted professional staff of the Chamber, I wish you plenty of professional successes as well as personal happiness in 1991 and hope that better communication will bring all the friends of the Chamber closer together in both business and friendship.

—MIGUEL SEBASTIA

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Left to right: Paulina Beato of Banesto; Amb. Miguel de Aldasoro, Consul General; Ricardo Jové, Chamber Pres.; Apolonio Ruiz Ligero, Spain's Secretary of State for Commerce; Francisco Moreno of McKinsey; Carlos Estevez of ENISA; Mariano Muela, Trade Commissioner

Chamber Hosts "Spain Today" Seminar at The Pierre: Over Fifty Companies Attend

On September 24, 1990 at The Pierre in New York City, the Spain-USA Chamber of Commerce hosted a very successful one-day seminar entitled "Spain Today. The Emerging Platform for Business with Europe" sponsored by ENISA, McKinsey & Company, and Banesto. The Chamber was honored to have Mr. Apolonio Ruiz Ligero, Secretary of State for Commerce of Spain, give the opening address. Senior executives heading international business development departments of targeted medium to large U.S. companies were selected to participate in the seminar. In order to preserve the high quality and efficiency of the seminar, attendance was limited, and over fifty companies participated. Another 210 companies were non-participating respondents that expressed an interest in learning about Spain and the possibilities of establishing business ties there.

The Chamber designed the seminar for companies in certain industrial sectors that plan to either increase or initiate business abroad. Its purpose was to inform U.S. executives that given the favorable economic climate in Spain, the nineties is the decade for investing there.

For the past two years Spain has had the fastest growing market in Europe for U.S. manufactured products. Yet, over 1,000 U.S. billion-dollar companies still have not invested in Spain.

Detailed presentations made during the seminar by the sponsor companies provided timely and valuable information necessary to penetrate the Spanish marketplace. They emphasized that companies that establish themselves in Spain will be able to take advantage of the unique possibilities that the country has to offer as a European business base.

The primary industrial sectors represented by seminar participants included electronics, computers and telecommunications sectors. Also present were construction and real estate companies as well as banking, investment, and legal and marketing services companies. Other participants included companies from sectors as varied as chemical and cosmetics, food processing and textiles, household goods and metal tubular parts, and medical devices and x-ray equipment. The majority of participants were from the Tri-State area, although companies from 10 other states, including Utah, Virginia, and Tennessee attended.

A complete review of the presentations made by the sponsoring companies appears in the special section of THE BUSINESS LINK, dedicated to the seminar.

Currently the Chamber is distributing the seminar program to non-participating respondents, and is maintaining contact with the participants to offer them further assistance with their plans to establish business in Spain.

Thus far, feedback from the participating companies and non-participating respondents has been very positive. Ω

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Welcome Dinner

The Chamber hosted a dinner at the Plaza Hotel for Seminar sponsors. Left: Ricardo Jove with Mar Rodriquez, Miguel Angel Diaz, Carlos Estevez, and Juan Ramon Duran of ENISA. Right: Mr. Jove with Ricardo Gomez Acebo of Banesto.

The Seminar

At right, fielding questions from Seminar Participants, L to R: Luis Valero and Ramón Bustamante of Banesto; Jay MacDonald of the Goldhirsh Group; Juan M. Hoyos and Francisco Moreno of McKinsey; Carlos Estevez of ENISA; Mariano Muela, Trade Commissioner.

Far Left: Spain's Secretary of State for Commerce, Apolonio Ruiz Ligero gives the Seminar's opening address.

Left: Attorney Carlos Palao discusses issues addressed by the seminar with participant Marylinda Ramos of Bank of America International.

Left: Jose Antoninian, Director of Industrial Products and Technology of the Commercial Office of Spain, and Juan M. Hoyos of McKinsey & Co. review seminar topics.

Left: Juan Ramon Duran of ENISA, focuses on Spain's industrial policy for the '90s and ENISA's role in guiding foreign companies through the investment process.

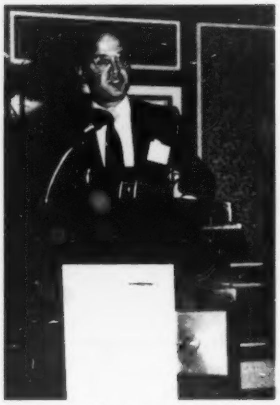
Above: Carlos Estevez, President of ENISA, addresses the seminar participants.

Left: Seminar participants listen to presentations regarding investment in Spain by ENISA, Banesto, and McKinsey & Co., the Seminar sponsors.

Above: Attorney Jose M. Beneyto covers legislative reforms affecting investment in Spain.

Left: Luis Valero of Banesto speaks with Dennis McNamara of DuPont regarding various points of interest raised by the Seminar.

Above: Participants receive materials detailing information presented at the Seminar.



Francisco Moreno of McKinsey & Co. stresses the need for a long-term investment outlook.

Below: Miguel Sebastia, Executive Director of the Chamber; Jane Blansfield and Howard Kaplan of the Goldfarb Group; and Christa Seewald, Seminar Coordinator, at the close of the Seminar.

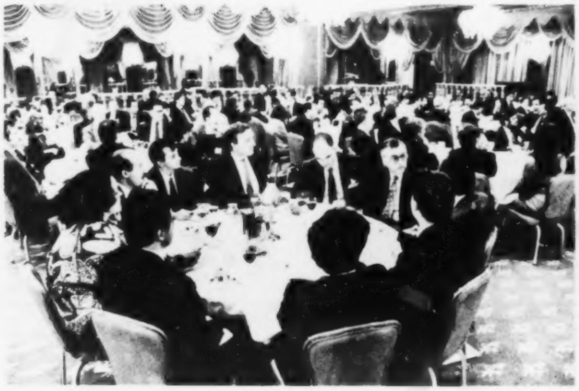
Above: Ramon Bustamante of Banesto informs the seminar participants of the outlook for retail banking in Spain in the '90s.

Seminar Lunch

Left: Robert Nemeth, President of Pfizer International, gave the keynote address which focused on Spain's strong investment potential and the forecast for the pharmaceutical industry in Spain.

Below: Seminar participants and members of the Chamber listen to the remarks of Mr. Nemeth.

Right: Paulina Beato of Banesto and Ambassador Miguel de Aldasoro, Consul General of Spain in New York, exchange views on Mr. Nemeth's conclusions.



Claudio Aranzadi, Spain's Minister of Industry and Energy

Spain's Minister of Industry and Energy Discusses Initiatives to Attract Foreign Investment

In October at a luncheon hosted by the Spain-USA Chamber of Commerce at the Plaza Hotel in New York, H.E. Claudio Aranzadi, Minister of Industry and Energy of Spain, spoke about the country's continuing efforts to sustain its robust economic growth in light of a strong peseta and the Persian Gulf oil crisis. Mr. Aranzadi stressed the importance of foreign investment as a crucial requisite and stated, "foreign direct investment must continue to play a major role in Spain's economic growth...and foreign firms have the full backing of our government."

Important growth indicators such as an annual average GNP growth of 5% since 1986 and an annual reinvestment rate ranging from 19% to 45% in real terms over the same period make a strong case for Spain's economic potential. Indeed, Spanish and foreign investment in 1989 amounted to $12.5 billion, representing a 46% increase over 1988.

Mr. Aranzadi made clear that his government is aware of the need to "maintain and improve" Spain's competitiveness. He singled out Spain's infrastructure, including transport and telecommunications, as the area that would receive greater attention in the coming years. The aim is to increase the rate of Spain's modernization and overall integration into the Common Market by increasing productivity and product differentiation.

"An open market along the lines of trade liberalization with the European Community (EC) is the main goal of Spain," claimed the Minister before he proceeded to outline the government's two-pronged approach to this goal. First, Spain is currently implementing a new National Energy policy that seeks to diversify its resources by further developing and coordinating hydroelectric and coal-generated power. Through government incentives and procurement programs Spain is encouraging a trend of privatization in this sector. Special attention will be given to those projects involved with the protection of the environment.

A second strategy is to bolster and sustain competitiveness of the firm by focusing on its level of technology as measured by the level of corporate borrowing and reinvestment. This tactic calls for another set of government investment incentives and aids which target specific technological areas in such industries as automotive, where many large multinationals played a dominant role, and the electronic and chemical sector, where many small firms operate. Mr. Aranzadi pointed out that Spain was ranked fourth among the EC member states that received technology-related investment subsidies from the EUREKA program.

A Chamber member brought up the issue of Spain's high dependence on imported oil. Minister Aranzadi agreed that Spain's level of dependence on synthetic gases and oil, particularly hydrocarbons, was higher than the EC average. However, he continued to say that once Spain reached its full capacity to efficiently extract and refine its natural gases, this level would be more in line with the EC average.

The issue of Spain's high exchange rate was also raised in the context of making more difficult foreign investment in the short term. The Minister explained that the strong peseta has been partly caused by the integration into the European Monetary System (EMS). The peseta has continued to hover near the high end of the currency variation band, in part, because of Spain's surplus in the service sector trade balance stemming from tourism. Mr. Aranzadi added that membership in the EMS has greatly increased the effectiveness of Spain's fiscal policy tools in its efforts to manage inflation.

In closing, the Minister stressed the importance for a foreign company to choose the "right" location when considering an investment in Europe. Mr. Aranzadi pointed out the recent examples of General Electric Plastics and Dupont as two U.S. multinationals that chose the autonomous regions of Murcia and Asturias for their respective manufacturing investments. He cited high concentration of industrial activity and the investment incentives as important in their decisions to operate in Spain. A press reception followed the luncheon. Ω

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Chamber Forms Quincentennial Committee

At its September 19, 1990 meeting, the Spain-USA Chamber of Commerce's Board of Directors approved a proposal to create a committee designed to coordinate the participation of the Chamber in the commemoration of the quincentennial anniversary of the voyage of Christopher Columbus and celebration of 500 years of Spanish heritage in America.

The Committee's efforts will compliment those of the Chamber's already existing Expo '92 and Olympics committees.

Mr. Luis Bonel of J.G. Stanley and Co., the exclusive U.S. licensing and marketing agency for the Spain '92 - Five Hundred Years of America program, was nominated as the committee Chairman.

The dimensions of the Spain - USA Quincentennial are broad and will reach audiences throughout Spain, the USA, and the world. The projects will focus on educational and cultural subjects, as well as on commercial enterprise. Some of these commercial endeavors will include corporate sponsorships, special events, quality licensing and merchandising, sales promotions, and cross-merchandising and premiums.

The Chamber plans to play an integral role in the commercial enterprises related to the Quincentennial celebration and link between the USA and Spain. The formation of the committee is a step in this direction. Ω

Lorenzo Olarte, President of the Autonomous Region of the Canary Islands, with Ricardo Jové, President of the Chamber

Canaries and Chamber Sign Cooperation Agreement

At a working breakfast organized by the Spain-USA Chamber of Commerce on October 24, 1990 at the Waldorf-Astoria, the President of the Autonomous Region of the Canary Islands, H.E. Lorenzo Olarte, along with several of his top advisors, addressed guests regarding investment opportunities and tourism in the Canary Islands.

Covered by the Spanish press and regional television of the Canary Islands, the breakfast was attended by a select group of both Spanish and U.S. bank branch managers, real estate investors, and tour operators. Mr. Javier Collar, Deputy Consul General of Spain in New York and Mr. Mariano Muela, Trade Commissioner, also were present. Mr. Luis Padilla, the General Manager of Proexca, a regional company for external promotion in the Canary Islands, represented the companies which have met with economic success there.

Mr. Ricardo Jové, President of the Chamber, welcomed Mr. Olarte to New York City on the occasion of his first official visit as President. He expressed the mutual interest of the Chamber and the Canary Islands' Regional Government in strengthening ties.

This was made manifest by the signing of a plan of cooperation by Mr. Olarte and Mr. Jové, effective January 1991. As part of the plan, the Chamber agrees to assist the Canary Islands' Government in promoting investment and tourism in the USA by providing logistical support and a base of operations in New York for a representative of the Canary Islands' government.

Mr. Olarte addressed the guests, stressing that not only is the infrastructure of the Islands highly developed, but that it will improve thanks to a European Community grant of $400 million. The existing infrastructure already is able to handle not only the 1.5 million inhabitants of the Islands, but also the 6 million tourists a year.

With an inflation rate 1% below the mainland's rate, the fiscal outlook for the Canary Islands is favorable. for investment. Companies based in the Islands are not taxed for operations effected with non-European Community countries. Thus, the Islands are a partial free trade zone. Moreover, strategically located off the coast of Morocco, the Canary Islands are an ideal center for redistribution.

Mr. Olarte outlined the types of investments that the Canary Island government plans to support. The government will promote "high standing" tourism through development, and is willing to contribute to any project devoted to enhance the quality of Island tourism.

The government aims to have golf courses, sporting complexes, and up-scale leisure activity centers constructed. In addition, it plans to encourage the manufacture of products, as varied as clothing and foodstuffs, that currently they import, and to promote the development of light industries, such as electronics, for exportation.

INVESTMENT INCENTIVES IN THE CANARY ISLANDS

Mr. Olarte and Mr. Luis Hernandez, Economic and Commerce Advisor, detailed the types of investment incentives offered by the Canary Islands' government, particularly, subsidies of up to of 50% on approved investments in certain promotional areas. Given the scarcity in the islands' primary resources, these areas include extraction and transformation industries, particularly those which apply advanced technologies or use alternative energy, as well as industrial support and commercial services. Agricultural foodstuffs and canning industries for fish products represent additional areas.

Traditionally, the Islands have attracted primarily European sun-seekers. However, encouraged by their success in attracting Canadian tourists, the Canary Islands' government hopes to increase American tourism. Bearing in mind that the USA has many different target groups within the single tourist market, to achieve maximum results the Canary Island government is designing modest promotional campaigns targeted at specific U.S. audiences. To avoid the adverse effects that a mild European winter has on Island tourism and to attract Americans who could seek the sun closer to home, the government is considering development projects which would add diversity to a tourists' stay in the Islands.

The breakfast guests had the opportunity to discuss the points raised by Mr. Olarte and members of his government. Among the Chamber members who participated in this discussion were Mr. Francisco Alcón of Banco Hispano-Americano, Mr. Alvaro Ureña of Iberia Airlines and Mr. Pedro Rodriguez of Hispanidad Holidays.

A video illustrating the allures of investing in the Canary Island and the attractions for tourists was shown. Both the video and promotional materials, which outline in detail the investment incentives offered by the Canary Island government, were distributed.

At the close of the breakfast, as an expression of appreciation of the efforts of the Chamber on behalf of the Canary Islands, Mr. Olarte presented Mr. Jové with a silver medallion of the insignia of the Autonomous Region of the Canary Islands. Ω

The Spanish Ambassador Visits New York

On the occasion of his first visit to New York City as the Ambassador of Spain to the USA, the Spain-USA Chamber of Commerce organized a luncheon in honor of H.E. Jaime de Ojeda, held at the University Club on September 11, 1990.

Guests included senior executives of U.S. companies with a strong presence in Spain, and Spanish companies with important economic ties to the USA. Also in attendance was Ambassador Miguel de Aldasoro, Consul General of Spain in New York.

The luncheon gave the Ambassador the opportunity to meet these high-level members of the Spain-USA business community based in New York. He discussed with them their goals and concerns regarding the future of economic exchange between the two countries.

At a press conference following the luncheon, Ambassador Ojeda told members of the Spanish press and THE BUSINESS LINK that he is very interested in the Chamber as a communications platform to discuss and enhance economic relations between the USA and Spain. He added that he is eager to cooperate with the Chamber in their efforts in this regard.

As THE BUSINESS LINK went to press, Ambassador Ojeda was the guest of honor at a December 5, 1990 luncheon at the Waldorf-Astoria, organized by the Chamber together with the Spanish Institute. The luncheon was attended by over one hundred guests. Ω

Amb. Jaime de Ojeda at the University Club luncheon with top executives of Spanish and U.S. companies and financial institutions

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Goya introduces Tapas

Call them appetizers or hors d'oeuvres or even elegant Spanish noshes, *tapas* are convivial eating. Invented in the taverns of Spain to provoke palate and conversation over a leisurely drink before dinner.

The drink's usually sherry. But it can be anything. It's the *tapas* that make the excitment. A great bar in Madrid could have as many as 70. Even the smallest bar, no fewer than five or six. But whatever they serve, it has verve.

Fortunately for *aficionados* here, a *tapas* spread as varied as any in Spain is as close as your Goya Section. Look at our picture: Goya chick peas, seasoned & sauteed with onions; Goya mussels, shrimps & capers, marinated in Goya wine vinegar & extra-virgin Spanish olive oil; Goya pimientos & garlic, drizzled with that classic oil; cider-poached Goya *chorizos* & apples; and Goya *empanadillas*, little spicy meat-filled turnovers (frozen, ready to heat). And Goya's wonderful giant scalloped crackers.

Goya has all kinds of makings for *tapas*: from great green olives & tuna & artichoke hearts to octopus & codfish fritter mix. Explore them. And next time it's your place for drinks, you can introduce *tapas*. By you. And by Goya. Oh Boy-a!

GOYA
GOYA
GOYA
GOYA
SHRIMP

Meet them at the Goya Section. Invite them over for drinks.

Want more Tapas ideas? Send stamped self-addressed [illegible]

Chamber Participates in Boston University's Eurostrategies Seminar

Presented by the Europe 1992 Magazine and the Boston University Corporate Education Center, the Eurostrategies Seminar was held in Tyngsboro, MA from October 22-24.

An international business conference, Eurostrategies provided information regarding the development of investment strategies to companies interested in doing business in Europe in the nineties. The conference featured leading experts who gave keynote addresses, presentations, and workshops. Some two hundred top executives from around the USA representing companies with interests in Europe attended the seminar.

The Deputy Director of the Spain-USA Chamber of Commerce, Joan Artigas, hosted a reception for seminar participants interested in investing in Spain. The cava for this reception was donated by Freixenet. Mr. Artigas was interviewed by Business Radio 1150 AM, a Boston-based business news station. In the interview he explained the role of the Chamber as an organization which promotes business relations between the USA and Spain.

On the 24th, Jose Antonijuan, Director of the Industrial Products and Technology Department of the Commercial Office of Spain, participated in a panel discussion regarding investment opportunities in Europe. Ω

Empresarios De Cantabria En Nueva York

En octubre se desplazó a Nueva York una Misión Comercial de la Cámara de Comercio de Cantabria, compuesta por 45 personas que representaban a otras tantas empresas de aquella Comunidad Autónoma.

En su mayoría eran representantes de pequeñas y medianas empresas y a los cuales la Cámara de Comercio EE.UU-España les organizó algunas de las actividades a desarrollar en la ciudad. Hubo una charla sobre distintos aspectos de la Distribución Comercial en la Ciudad de Nueva York que tuvo como ponente a Jose Manuel Cabrero, representante para Europa de la empresa Garric-Aug World Wide Ltd. (Consultoría en Distribucion Comercial). Así los empresarios cántabros pudieron constatar las diferencias de ambos mercados, al español y el neoyorquino, no solo en cuanto al comportamiento del consumidor sino también en cuanto a las características de la oferta y a las actividades necesarias para la implantación de un negocio en la ciudad.

También se prepararon entrevistas comerciales para algunas empresas que lo solicitaron que pertenecían a sectores tales como hosteleria, muebles y construcción, y que estaban en pleno proceso de decisión para emprender relaciones comerciales con EE.UU.

Según cada sector se facilitó todo tipo de información útil a la hora de invertir en el mercado norteamericano.

Jesus de las Cuevas, Agustin Gutierrez-Cortines y Pilar Fernandez-Cavada, Presidente, Secretario General y Jefe del Servicio de Comercio Interior respectivamente de la Cámara de Comercio de Cantabria, se reunieron con miembros de nuestra Cámara para intercambiar opiniones sobre las diferentes estructuras de ambas cámaras, así como para concretar el establecimiento de unas nuevas relaciones tanto en materia de publicaciones como en diversos tipos de ayudas que ambas pudiesen necesitar en el ejercicio de su actividad. Como punto final, pero decisivo para consolidar dichas relaciones, la Cámara de Cantabria manifestó su intención de inscribirse como miembro de nuestra Cámara. Ω

VACATION SPECIAL

Hispanidad Holidays is offering Chamber members and their families a 10% discount in fares for the following companies and desinations:

Iberia Airlines	Spain
Pan American	Europe and Latin America
Tap Air Portugal	Portugal
Eastern Airlines	Carribean and Florida
Air Europa	Spain

Jesus de Azcarreta, a founding father of the Chamber

In Memorium

A "Founding Father" of the Spain-USA Chamber of Commerce, Jesus de Azcarreta, died last June in Madrid, where he resided for many years. I had known Mr. Azcarreta since 1952 when he lived in New York and had offices on Madison Avenue.

In 1959 he enthusiastically accepted the invitation of the Ambassador of Spain to the USA, H.E. Jose M. De Areilza, to join a small group of businessmen who became the "Founded Fathers" of the Chamber.

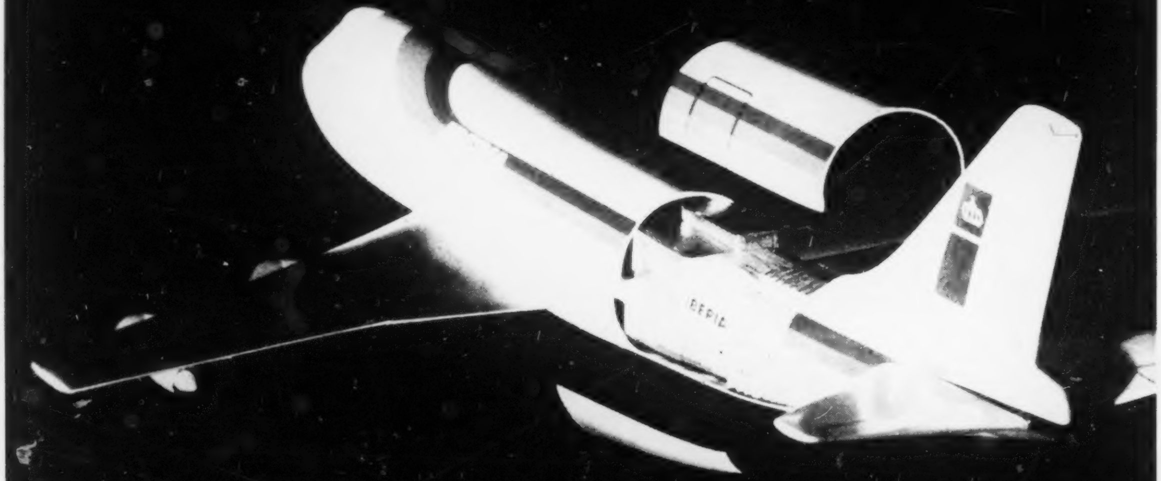
Accepting an assignment from a U.S. firm, he later moved to Madrid where he lived until his death. During those years, Mr. Azcarreta acted as the Chamber's honorary delegate there.

In 1976, Mr. Azcarreta formed part of the entourage of H.M. the King of Spain during the royal visit to New York City.

He was instrumental in the decision of the Prime Minister of Spain, Felipe Gonzalez, to join the Chamber in 1982. Jesus de Azcarreta will be greatly missed by all who knew him. My deepest sympathy goes to his wife Annemarie, daughter Nathalie and son Alexis. Ω

—John E. Codina, Founding Father

IBERIA'S NEW SPACESHIP



A new dimension in inner space. New 747 combi's to ship large cargo.

A giant step toward better cargo service.

Iberia's new 747 combi SpaceShip blasts off from New York non-stop to Madrid, with cargo shuttle service every day of the week except Wednesday.

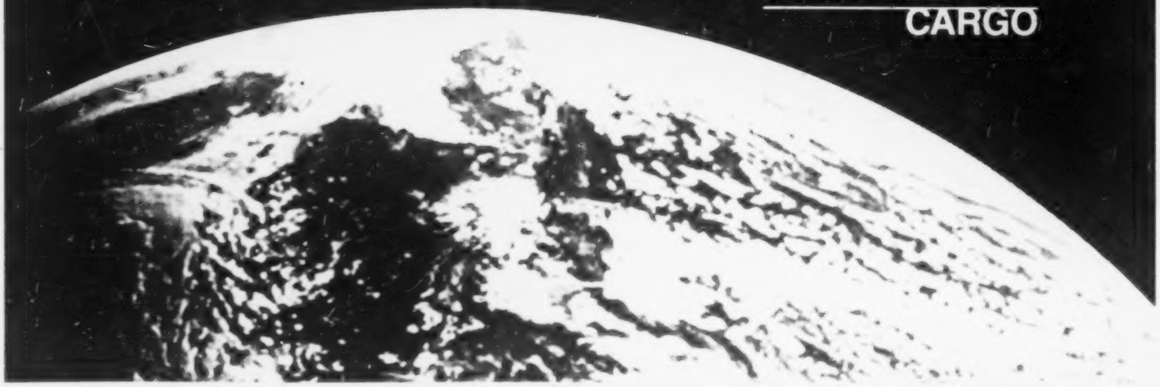
Our vast inner space reaches new heights and new lengths to meet your needs in shipping oversized payloads in one easy piece.

Iberia also has widebodies and freighter service waiting in Madrid—so you've got great connections to Europe, Africa and the Middle East.

And a new direct-dial computerized reservation system that instantly confirms your shipment.

For SpaceShip information and reservations, call an Iberia SpaceShipper at **1-800-221-6002. In N.Y.C. 718-632-1240.**

IBERIA
CARGO



[U.S. Business]

"Made in Spain" in America

Five Spanish products are sustaining their penetration of the U.S. market with a mixture of old-world charm and marketing know-how despite the exchange-rate challenge faced by their parent companies in Spain

As a group, Spanish footwear manufacturers make Spain the fourth largest shoe producer in the world.

Over the past two months, THE BUSINESS LINK staff contacted the marketing departments of our corporate members in the United States with the request that they provide an assessment of their products' sales and marketing operations. There is no doubt that part of the reason for their very favorable responses is because we assured them that no two similar products/industries would be featured in the U.S. Business section of our magazine. The primary motivation for their editorial support, however, is due to the fact that many Spanish products are succeeding in cornering significant market share in the largest western consumer market, particularly since 1986 when Spain joined the Common Market.

The following group of articles uniquely brings together the experiences of five Spanish companies, who are members of the Spain-USA Chamber of Commerce and operate primarily in the northeast of the United States. A wide spectrum of products is featured including stainless cookware, men's fashions and wines and spirits. Not only are the products in different stages of their overall business expansion in the United States, but the methods used by the Spanish companies to enter the U.S. market reveal an interesting cross-section of transactions, including outright acquisition, the establishment of a wholly-owned subsidiary and a merchandise retailing arrangement with one of the largest department stores in America.

Despite the challenges presented by the American market—faced both by the parent companies, with the higher peseta/dollar exchange rate, and by the U.S. operations, with the current general economic downturn in this country—these Spanish companies have realized the necessity of securing an international business presence here in their respective industries. Moreover, their strategic marketing techniques are currently getting significant leverage from Spain's image in the United States as the newest economic powerhouse in the European Community.

Stainless Cookware A la Mediterranean

How do you market Mediterranean romance with 18/10 stainless steel? Successfully, if your product is superior cookware, distributed in America by Bra USA Inc., a wholly-owned subsidiary of Concepto Bra S.A., Barcelona. So successfully, in fact that in the two years that the American company has been incorporated, sales volume has multiplied fivefold, and the product line is currently available at more than 500 points-of-sale in the major markets of the United States.

Bra's stainless steel cookware was first introduced in the mid-Eighties at the well-known Chicago Housewares Show, and the initial merchandising was handled through a local distributor. Prospects were encouraging enough for the formation of the American subsidiary in 1988, headquartered in Little Ferry, N.J. and headed by Patricio Barriga, vice president, who had previously managed the marketing efforts in Spain and the United States for the Myrurgia Group of Barcelona.

That marketing expertise has brought 500% growth to Bra, with distribution in key department stores like Bloomingdale's, Macy's, Bullock's, Belks, Dayton-Hudson, Elder-Bierman, Harris in California, Liberty House in Hawaii, and gourmet specialty stores. Bra USA Inc. handles Puerto Rico as well, and is beginning to open up a distribution network in Canada.

SPANISH CULTURE AS SALES TOOL

"Our success is not only based on a high-quality product, but also comes from the uniqueness of our marketing strategy," Barriga points out. "In our advertising, point-of-sale displays and promotions, we communicate an image using the culinary tradition and ambience of Spain so that there is a Spanish touch in every American kitchen." The high quality of 18/10 stainless steel is a major asset, he adds. "When we sell that, we are equal to our competition. But we can say that we are truly more than equal, because we have the plus of Spain's culture and history as an unsurpassed selling point."

Oro Inox, the product line leader, is a good example, offering as it does a complete line of 18/10 stainless cookware accented with solid brass handles to give each piece a sleekly designed golden touch. On the promotional level, Bra has pointed out that the earliest explorers came to this continent in search of gold, and that "now Bra brings gold to America".

The golden touch is also available in the Dorado line, elegant stainless steel "hostessware" including trays, wine coolers and other serving pieces. Other Bra merchandise includes its Speedy pressure cooker, a fast-growing category in this era in which the consumer is time and health conscious as well as aware of the need to conserve fuel. There is Thermoplan, designed with bakelite handles; Super Bra, featuring a unique water-seal system which allows for natural cooking without addition of water or fat; and, for the restaurant and hotel trade, the Latina and Escandinavia lines of stainless steel equipment for all service needs.

> ["In our advertising, point-of-sale displays and promotions, we communicate an image using the culinary tradition and ambience of Spain so that there is a Spanish touch in every American kitchen."]

Advertising for Oro Inox pictures the product line in a Spanish environment, with a window in a stucco-walled kitchen opening to a charming view of the Mediterranean. Bra's advertising is placed in trade and consumer magazines. Newspaper cooperative advertising, department store catalogues, radio, and deals on TV game shows like the popular "Jeopardy" is also used.

HIGH INVENTORY TURNOVER AND STRONG RETAIL LINKS

Bra imports are aimed at the high end of the market. Priority has been placed on inventory, in order to provide fast service in shipment to clients. And a lifetime warranty is provided with every product in the line, giving confidence to the consumer. Retail links have also played an important part in their U.S. market penetration efforts. Barriga stresses that the setting up of in-store demonstrations, providing point-of-sale display materials, and incentive programs for store personnel as essential to achieving this goal. Another challenge overcome by Bra was the establishment of a dedicated sales force network. As a young company, the hardest part of the job was convincing desirable personnel that there was, indeed, a future for them—a point which has now been well proven. Most of Bra's sales network is made up of independent sales representatives who have their own businesses which do not carry competitive cookware lines.

Trade shows are a major tool for introducing Bra to prospective customers and for showing new additions to the line. But that's just the beginning. The use of full-fledged promotional programs is another important tool. When Bra recently supported Bloomingdale's storewide salute to Spain, well-known restaurant chefs demonstrated Spanish cuisine in eight of the stores in New York alone, Bra presented seven different restaurant chefs in a week of special demonstrations of the culinary secrets of Spain. Penelope Casas, a noted food writer whose "The Foods and Wines of Spain" is regarded as a classic, made a personal appearance, autographing her book. Her recent work, "Tapas, the Little Dishes of Spain," was used as a gift-with-purchase promotion.

Intense interest in Spain, building with the 500th anniversary of Columbus' discovery of America, the concurrent celebration of that event by a World's Fair in Seville, and the Summer Olympics in Barcelona—all coming up in 1992—make romancing of the Spanish culture an even more powerful as a sales tool. But, Barriga is realistic about recent major changes in the economy, most notably the problems of the department stores, leaving a gap which is being filled more and more by small gourmet and specialty stores. An even more important change, however, is in the attitude of the American consumer. "The quick-in, quick-out, fast-buck approach of the last decade is over," he avers. "Today's consumer has a growing perception of quality and a new appreciation for performance and utility." With consumer insistence on upgraded, high-end products and long-term value, Barriga predicts that Bra sales in the United States will double by the end of 1991. Ω

Men's Fashions from Barcelona to Bloomies

Five years ago Armando Lasauca Inglés risked everything he owned in order to set up a men's fashion shop called Massimo Dutti on Barcelona's tree-lined Via Augusta. It opened one day and closed the next. All the merchandise had been sold out.

This fall the Massimo Dutti franchise, now numbering 70 stores in Spain, expanded their operations internationally into the U.S. market by opening boutiques within six Bloomingdale's stores as part of the Bloomingdale's Spanish products promotion entitled "Spain: Europe's Rising Star."[see page 50] With plans to open twenty or more stores in Spain, and to market the brand not only in the U.S. but in Europe as well (mainly in Lisbon, Portugal), Mr. Lasauca and Massimo Dutti clearly are Spain's "rising stars" in men's fashion.

Massimo Dutti produces and sells men's garments and accessories including shirts, trousers, blazers, ties, poloshirts, jackets, raincoats, swimming trunks, under garments, watches, cufflinks, and cologne. Massimo Dutti is not the name of a real person, but is a brand created by Mr. Lasauca, the executive president of the Grupo Massimo Dutti, S.A. The name was invented by combining "lo máximo," the superlative expression used frequently at Mr. Lasauca's home meaning "the most," and "Armanduti," his childhood nickname.

The success of Massimo Dutti has been staggering, as in just five years it has become the leading men's fashion commercial distribution chain in Spain. In its first full year of operating in 1986 it invoiced 538.9 million pesetas ($3.8 million) worth of merchandise. This figure rose to 1.4 billion pesetas ($12.5 million) in 1987, 2.6 billion pesetas ($23.6 million) in 1988, and 4.5 billion pesetas ($38.1 million) in 1989. The sales forecast for 1990 is for 6 billion pesetas ($58.8 million) [annualized peseta/dollar exchange rates]. Moreover, approximately 400 jobs have been directly generated by the company, and 600 indirectly.

In 1989, the investment company Cofir, the branch in Spain of the Italian businessman Carlo de Benedetti, along with the Banco Bilbao-Vizcaya, Banco Zaragozano and Conycon, bought 49% of Massimo Dutti and gave it the necessary financial resources, over 2 billion pesetas, to continue to expand.

LOW RISK AND HIGH POTENTIAL RETURN

The opening of Massimo Dutti boutiques in six Bloomingdale's stores as part of the "Rising Star" promotion in fall 1990 represented the company's penetration of the U.S. retail market.

This came about not because Massimo Dutti decided to aggressively market its products in the U.S., but rather, the president of Bloomingdale's of New York City, Marvin Traub, en route from Cairo to New York, happened to go into one of their stores in Madrid and purchase a shirt. Impressed by its quality and design, Mr. Traub contacted Mr. Lasauca. The result has been that Massimo Dutti, with almost no investment capital and minimal financial resources, has entered the U.S. market by opening a boutique in one of the principle retailing stores in the country. Given the competitiveness of this market, it is difficult to deny that this is an ideal way of testing the success of a product. The risk is low, while the potential return is high.

> **Everything sold at their stores is of their own design and production. This eliminates costs of middlemen, and the savings are passed on to consumers**

The Massimo Dutti image has come to represent high quality men's wear at a reasonable price. The company puts a high premium on rigorous business management. Everything sold at their shops is of their own design and production, which is often executed by computers. This eliminates the cost of middlemen, and this saving is passed on to the consumer. Even those articles of clothing which are not made by them directly but which are entrusted to third parties to manufacture, are based on the patterns, materials and prints created by Massimo Dutti.

Each season over 1000 shirt designs are created. Massimo Dutti uses low quantities in the fashion prints to avoid the models from being seen too frequently on the street. In this effort,the stores display new designs, fabrics, and colors every few weeks. Thus, the supply is constantly renewed and there is always a constant flow of changing men's fashions in the Massimo Dutti shop window to tempt the customer.

Massimo Dutti never has end-of-season sales. Its prices are constant throughout the entire year, as the "sale" is that the goods are always priced below the average market price.

The success of Spain's Massimo Dutti in the U.S. retail market is by no means a sure bet. The service sector recession in the USA has taken its toll in practically all areas of the retail industry and in New York City, home of the "garment district," small and large clothes retailers alike are feeling financial constraints.

Dutti's target market segment of "fashion-conscious men," however, could enable the company to better weather the economic downturn because their upscale customers might be less affected in their spending habits and, thus, less willing to compromise on their clothes purchases. This observation, combined with Dutti's aggressive merchandising and its relation with the Bloomingdale's retail network, argue for a favorable outlook. Ω

Wines and Spirits "Image Brands"

Domecq Importers, Inc. is in the business of selling premium brands of imported wines and spirits in the United States. Established in 1981, Domecq Importers is a subsidiary of the House of Pedro Domecq in Spain. The company is a professional team of people devoted to giving value, in the form of fine products and support services, to a customer base that includes suppliers, distributors, retailers and restauranteurs and the end consumer. The company's case volume has grown in each of the last 6 years and now exceeds 1 million cases with sales of over $50 million.

Long known in Europe, the Domecq brands from Spain have been carefully developed in the U.S. Brand names include La Ina and Double Century Sherries, Carlos I and Fundador brandies, Marques de Arienzo Rioja wines and Lembey sparkling wines. To ensure the ultimate control over quality, Pedro Domecq Spain owns the vineyards and production facilities of Marques de Arienzo Rioja wines and Domecq sherries and brandies from the Jerez region.

> **The brands' strong appeal in the hispanic market and their high profile, premium image have stimulated volume growth and an increase in revenues for distributors**

The parent company, Pedro Domecq, extended operations to Mexico in the mid-1950's and developed Presidente Brandy which has grown to become the largest selling brandy in the world. Presidente is now a major brand in metropolitan markets across the U.S., particularly in markets like Los Angeles where Mexicans have emigrated in significant numbers. Don Pedro, a solera reserva brandy from Mexico, is also showing strong growth figures in the United States.

The U.S. marketing rights for Sauza Tequila, the oldest and largest tequila in Mexico, was acquired by Domecq Importers in 1987. The brand has been growing at double digit rates since that time. With the strong reputation of Domecq brands in Spain and Mexico, Domecq Importers' philosophy understandably has been to aggressively market its own brands in U.S. markets where there are concentrations of Spanish-speaking people. Today,however, building its suppliers' brands in every state and regional market is now the overriding objective and philosophy of Domecq.

The Northeast sector of the United States is perennially among the healthiest regions of the country for wine and spirit sales. Although total distilled spirits have been declining for the last 10 years due to a growing trend toward moderation, the Northeast's share of the total market has remained stable.

An important trend in the industry that has been very apparent in the Northeast is the growth of premium brands. Domecq has long specialized in these "image brands" with their Carlos I, Sauza Conmemorativo and rare sherries like Sibarita. Northeast urbanites gravitate toward these brands because they are more often advertised and promoted, and typically cost more. Despite the economic recession, such "image brands" remain an affordable luxury.

The three-tier system of wine and spirit distribution in the U.S. evolved after the repeal of Prohibition in the 1920's. Distributors in this country sell the products of any number of wine and spirit companies to licensees, which keeps them from favoring one brand over another while selling the widest selection possible. Supplier companies like Domecq Importers provide strategic direction for the marketing and selling of their brands as well as merchandising direction and advertising support. The distributor, in turn, provides street salesmen, warehousing and trucking for the products and a billing function to the accounts that purchase the products.

Domecq has been unusually successful for a company of its size (considerably smaller than such well known and well-funded companies as Seagram, Gallo and Hiram Walker) in getting its distributors to devote significant time to its brands. The brands' strong appeal in the Hispanic market and their high profile, premium image have stimulated volume growth and resulted in an increase in revenues to the distributors.

U.S. population forecasts indicate continued growth in the percentage of Hispanics residing in major markets. This trend bodes well for Domecq Importers. Marketing efforts by the parent companies in Spain and Mexico also have a positive effect on Hispanics visiting and emigrating to the U.S. In addition to this source of growth, other wine and spirit companies, including Hiram Walker, prestigious French wineries and Quinta do Noval, the premier Port producer, have brought their brands to the marketing and sales strength of Domecq Importers. Ω

Spain Puts Its Best Foot Forward

The increase in production costs in Spain and the weak U.S. dollar have negatively affected Spanish footwear sales in the U.S. marketplace. To keep these products competitive, "Fashion from Spain," a non-profit marketing organization created by the Spanish government, markets the footwear on the behalf of Spanish manufacturers as a high quality designer product to upscale consumers in the United States.

Founded in 1986 by the Spanish governmental Instituto de Comercio Exterior (ICEX), "Fashion from Spain" serves as a liaison between Spanish companies and the American trade and consumer and aggressively promotes brand names and manufacturers. In addition to footwear, "Fashion from Spain" promotes jewelry and ready to wear for men, women, and children. According to the Director of "Fashion from Spain," Mercedes Lamamie de Clairac, "Our objective is to establish Spain as an international design source for footwear, fashion and jewelry through marketing programs aimed at the trade and consumer.”

For decades Spain has exported footwear to the United States. Largely due to the high quality/low price correlation, Spanish shoes, sandals, and boots have sold well in the U.S. marketplace. Smart shoppers, who generally did not identify Spanish shoes by their brand names and who most likely did not rate Spain as a key international design source, purchased these stylish, well-made products at a moderate cost. Spanish footwear remained competitive in the U.S. marketplace, as evidenced by these products cornering 7.7% of the market's total dollars in 1985, a year in which the dollar/peseta exchange rate was nearly double of what it is today.

In recent years, however, the weaker position of the U.S. dollar in relation to the Spanish peseta, combined with the rise in production costs in Spain, has made Spanish footwear more expensive. In turn, the U.S. consumer who was interested only in purchasing inexpensive products no longer had an incentive to buy footwear “made in Spain,” given its higher relative cost.

DIFFERENTIATION vs COSTS

In order to maintain and attempt to increase their U.S. market share, Spanish footwear manufacturers exporting to the USA sought to emphasize quality and design over price, a strategy of differentiation versus one of costs. They created promotional campaigns which emphasized the innovative style of their products, as well as the superior quality of their materials and workmanship. These campaigns were designed to target the style-conscious, up-scale U.S. consumer.

Today Spanish shoe manufacturers and exporters not only aim to project the image of Spanish footwear as “top-of-the-line,” but also they seek to familiarize the consumer with brand names. Clearly, while the industry focused on quantity in its developmental stages, more recently the country has directed its energy toward quality and fashionable designs. With the support of “Fashion from Spain,” not only have the promotional campaign objectives been met, but surpassed.

Although working extensively with its other fashion products, “Fashion from Spain” concentrates much of its efforts on footwear. Surprisingly, Spain is currently the fourth largest shoe producer in the world. Footwear is one of Spain's top five major exports, comprising 2.6% of the country's total exports. Moreover, the USA is the number one market for Spanish footwear exports, with Spain exporting 34.5% of its total footwear shipments to the United States and Canada. Footwear represents 11.1% of all Spanish exports to the United States.

“Fashion from Spain” has designed a generic-oriented marketing campaign which promotes “Shoes from Spain” as a product category, but also provides the same marketing advice to separate and competing brands. The products are targeted at specific consumer groups, particularly up-scale, fashion-conscious consumers in the market to purchase stylish, well-made, footwear to complement his or her wardrobe.

Bilateral Footwear Trade Spain/U.S. in 1989

U.S. imports from Spain: $344,739,000 or 4.7% of U.S. import market (830 million pairs)

U.S. Exports to Spain: $4,891,000 (15 million pairs)

Top Country Suppliers to the U.S. (% of Quota):

Korea	29.88	Italy:	13.16
Brazil:	18.49	Spain:	5.90
Taiwan	14.42	Other:	18.15

Source: “FASHION FROM SPAIN”

By giving promotional advice, marketing know-how and a support staff in the United States, “Fashion from Spain” primarily seeks to help well-established companies in Spain that plan to either increase current exports or initiate exports to the USA. Not only do these companies have export capacity, but often prior export experience. The main footwear commodity is leather shoes, or 73.9% of Spain's total footwear exports in pairs. The U.S. market is recipient of 24.9% of total leather shoe exports from Spain.

COST-EFFECTIVE TRADE AND CONSUMER ADVERTISING

The cornerstone of “Fashion from Spain's” marketing strategy is strong trade advertising programs and cost-efficient consumer advertising. In 1989 “Shoes from Spain” participated extensively in trade shows, including such New York fairs as Fashion Footwear Association of New York (or FFANY) and National Shoe Fair of America (or NSFA). As part of their public relations campaign, “Fashion from Spain” has organized press and buyer trips to Spain, in-store promotions, and fashion presentations during market weeks. The “Fashion from Spain” team keeps an educational and information data bank. In addition, they publish a newsletter, produce seasonal “fashion footwear trends” supplements, and distribute press and promotional materials.

Some of the leading Spanish women's footwear brands participating in the current promotional campaign, include Roberto Noguerón, Alvaro Carpena, Miss Diva, Pura López, Paco Gil, Martinez Valero and Roberto Gil. These brands are becoming increasingly recognized by the U.S. fashion and quality-conscious consumer.

Although the promotional campaign has been mounted on a national scale, most of the efforts and activities have been and continue to be focused on New York City, traditionally seen as one of the fashion capitals of the world.

Spanish footwear manufacturers and exporters clearly have their “foot in the door” in the U.S. marketplace. During 1991 “Fashion from Spain” plans to continue to organize promotional campaigns and events. With the Olympic Games in Barcelona and the World's Fair in Seville, both scheduled to be held in 1992, awareness of Spanish products will increase and heightened media coverage will occur. “Fashion from Spain” plans to use the interest and increased visibility generated by 1992 to promote the “made in Spain” label. Ω

MEG A. BOZZONE, *Managing Editor of The Business Link, wrote this article.*

Educational Video Magazines

Opportunities for forging stronger relations between the European Common Market countries and the United States have never been more timely and attractive. Cultures are being brought closer together via communications technologies which reach into virtually every home and business with increasing effectiveness.

Grupo Liga, the holding company that owns one of the largest Spanish communications groups, CID, recently purchased a majority interest in Eagle Multimedia Services, Inc., a New York-based communications company specializing in educational and commercial video programming. The acquisition culminates a long standing relationship between CID and Eagle which began as a joint venture in 1988 to produce a monthly video magazine entitled "Espana y Las Americas."

The deal was a great success, and after closely analyzing the development of interactive and other media-related initiatives, Grupo Liga decided to invest more seriously in the communications industry in the United States by acquiring Eagle. The purchases were completed this past summer after several months of negotiation. Jose Miguel Garrigues Walker, Chairman of Grupo Liga comments that "Eagle was an important acquisition for us because it provides us with a permanent and effective presence in the communications market in the United States."

Eagle Multimedia currently publishes videos and specializes in the co-production and acquisition of authentic foreign language programming as well as in the development of pedagogic materials to accompany these videos. Reflecting the rising level of foreign language enrollments in the United States and of foreign commercial involvements, the company was created in 1986 in response to the demand by professionals and educators for authentic, contemporary, and culturally relevant materials about Spain and the Americas, France, Germany and the Province of Québec.

As one of Eagle's main products, "Espana y las Americas" is a 45-minute video program, produced each month in Spain, which features news, economic, social and cultural segments from the various regions of Spain and from Latin American countries as well. It is distributed in the educational market throughout the United States by McGraw-Hill Publishing Company, thus reaching several thousand universities and schools. It also appears on The Learning Channel, a cable network reaching 21 million households and over 20,000 schools, colleges, universities and businesses.

Companies in the interactive video industry are aggressively developing new products and penetrating new markets. For Grupo Ligo, the US market has great potential. The outright acquisition of Eagle Multimedia has proven to be thus far an effective strategy for fast market penetration. Eagle is already actively developing many new areas such as the selection of foreign language and cultural T.V. footage, the licensing of European programming for sale in the United States, travel video development and production, representation of European television networks in North America, and English-as-a-Second Language videos and accompanying pedagogic guides. Another growth area are business-oriented programs focusing on European economic news, including investment opportunities, to be broadcast on the Business Channel of the U.S. Chamber of Commerce via ESPN, the largest cable channel in North America, reaching 60 million households.

International strategic alliances has been an important tactic in Eagle's business operations. Currently its international partners include Antenne 2 and FR3 in France, Radio Québec in Montreal, Canada, Canal Sur in Spain, Trans Europe Productions (TEO) in Paris, France, Edit Media and Viavideo in Barcelona, Spain, among others. Ω

Los ADR's Como Medio de Captación de Financiación

Este informe argumenta que no sólo las grandes sociedades pueden financiarse en el mercado de capitales norteamericanos.

POR ALFONSO CARCASONA

A pesar de que quizá no sea este el momento mas oportuno para la emisión de nuevos instrumentos financieros en los mercados de valores mundiales, no hay que perder de vista el hecho de que la internacionalización de los mismos abre nuevas posibilidades a la capacidad de captar capital en foros extranjeros. Particularmente esto es cierto en los Estados Unidos, donde la nueva regulación implementada facilita la negociación de los American Depository Receipts o "ADR's" y por lo tanto, su colocación. En cualquier caso, este si es un buen momento para que las sociedades españolas creen su mercado de ADR's. El procedimiento es sencillo, y el coste reducido.

Actualmente existen diversas sociedades españolas que han emitido

American Depository Receipts (ADR's) en los Estados Unidos. Nuestro país es uno de los más interesados en la captación de capital en los EEUU, si atendemos al volumen de dinero y de ADR's emitidos. Sin embargo, no son muchas las sociedades españolas que cotizan en Estados Unidos, en comparación con el número de sociedades de otros países, como el Reino Unido, Japón, Sudáfrica o Australia con menor volumen de ADRs cotizados en los EEUU.

El objeto del presente artículo es dar una visión general acerca del significado de este instrumento financiero, así como presentar los diferentes programas que pueden ser utilizados para captar capital en los mercados norteamericanos.

CERTIFICADOS NEGOCIABLES

Los ADRs son certificados negociables emitidos en los Estados Unidos en forma nominativa, representativos de títulos (normalmente acciones) de una sociedad extranjera. Hay cinco partes que intervienen, o que pueden intervenir, en la emisión de ADRs.

- El emisor de los títulos subyacentes: Sociedad extranjera cuyos títulos van a ser negociados en los EEUU a traves de ADRs.
- El Banco depositario: Banco norteamericano que, una vez que los títulos son depositados en el banco custodio, emite los ADR's representativos de dichos instrumentos financieros.
- El Banco custodio: Banco extranjero encargado de la custodia "física" de los títulos.
- El tenedor de los ADRs: Inversor con interés en la sociedad extranjera.
- El asegurador de la colocación de ADRs.

PROGRAMAS DE ADRS

Fundamentalmente existen dos tipos de programas de emisión de ADRs: no patrocinado o patrocinado. El programa no patrocinado se caracteriza por no ser el emisor quien inicia y controla el proceso. El programa es iniciado por un investor americano que considera interesante una sociedad extranjera, en nuestro caso española. Dicho inversor se dirige a su broker para que compre los títulos a un broker español. A su vez el broker se pone en contacto con un banco depositario para que emita los ADRs y actue como creador de mercado del valor.

Este es el programa más sencillo y es considerado por la US Securities and Exchange Commission (en adelante "SEC") como "no provocado" por la sociedad, por lo que normalmente concede la exención de suministro de información requerida a las empresas norteamericanas. La única información requerida por la SEC, en términos generales, es la que la sociedad está obligada a hacer pública en España.

Dados lo pocos requisitos exigidos en este programa, los ADRs solo pueden ser negociados en el mercado over-the-counter (OTC), no teniendo acceso, en principio, a los restantes mercados de valores ni a la posibilidad de realizar ampliaciones de capital.

> No son muchas las sociedades españolas que cotizan en Estados Unidos en comparación con las de otros paises

Los Programas patrocinados son un tipo de programas iniciados por el emisor, que es quien controla la emisión de los ADRs. En función de los objetivos perseguidos se ofrecen tres niveles en los que se puede implementar el programa.

TRES NIVELES PARA IMPLEMENTACION

El primer nivel permite al emisor solicitar la exención de registro de información que se requiere a las sociedades norteamericanas, lo cual le va a suponer, entre otras cosas, un importante ahorro de tiempo y dinero. A la vez de conseguir la exención, permite al emisor negociar con un único banco depositario, con el que firmara un contrato de depósito regulador de los derechos y obligaciones de cada una de las partes.

Como desventaja del programa en el nivel 1 se ha de señalar que los ADRs emitidos no son admitidos a cotización en ninguno de los mercados oficiales, pudiendose solo negociar en el mercado OTC, sin embargo, la implementación del programa en este nivel permite la colocación privada de los ADRs con ello la posibilidad de captar capital a través de ella, así como simplificar su posterior admisión a cotización.

Para acceder al segundo nivel, la SEC exige que el emisor cumpla con todos los requisitos de información anual exigidos a las compañías norteamericanas, incluyendo información financiera de acuerdo con los principios de contabilidad estadounidenses, lo cual requiere un nuevo tratamiento de los estados financieros de la sociedad. El contrato de depósito que se forma con el banco incluye normalmente la responsabilidad de este en cuanto a la información de los inversores, respondiendo a sus preguntas, y enviando informes de la sociedad a los tenedores de ADRs, de los que mantendrá un registro.

Este programa permite que los ADRs de la sociedad sean admitidos a cotización en alguna de las bolsas oficiales de valores estadounidenses, principalmente en la New York Stock Exchange (NYSE), la American Stock Exchange (AMEX) o el National Association of Securities Dealers Automated Quotation (NASDAQ). Como desventaja, el establecimento de este tipo de programa no permite ampliar el capital social a traves de los ADRs. Sin embargo, actualmente puede ser de gran eficacia para sociedades a que deseen crear un mercado en los EEUU. Este programa permite registrar los ADRs representativos de títulos existentes, para en un momento posterior implementar un programa en su nivel 3, y acceder con el a la financiación internacional de la sociedad.

El tercer nivel es similar al anterior, con la diferencia de permitir captar nuevo capital en los EEUU. Para ello se necesita preparar un folleto de emisión que recoge más información de la requerida en los niveles anteriores.

La conclusión que se extrae de este expuesto es que no solo las grandes sociedades pueden financiarse en el mercado de capitales norteamericano. Los diferentes programas de emisión de ADRs permiten a cualquier tipo de emisor introducirse en los mercados de capitales internacionales. Globalización es el término de moda, y los ADRs son un buen instrumento para iniciar la expansión de cualquier sociedad. Ω

ALFONSO CARCASONA *trabaja actualmente como "foreign intern" en el despacho Skadden, Arps, Slate Meagher & Flom; un gabinete de abogados cuya sede está en Nueva York.*

Textiles Catalanes en Nueva York

Durante la tercera semana del mes de Septiembre, y tras visitar Los Angeles y Toronto, 6 empresas de telas e hilados, miembros del Gremio de Fabricantes Textiles de Sabadell, participaron en la Misión Comercial coordinada por la Oficina Comercial de España en Nueva York. Los participantes fueron el Sr. Serna por Mafinsa (Grupo Uralita), el Sr. Gómez por Juanico Hnos. S.A., el Sr. Feiner por Antonio Feiner S.A., el Sr. Garrofe por Roialtex S.A., y los Sres. Casas y Saus por Setex y Estiltex.

Estos fabricantes españoles se encontraron con un mercado algo aletargado y con un nivel de competencia feroz entre los productores nacionales, las exportaciones del Sudeste Asiático y las de Francia, Italia y Reino Unido. Asimismo constataron que los diseños, estampados, mezclas y calidades que demanda el mercado norteamericano difieren de lo demandado en Europa: la confección en Estados Unidos prefiere telas de estampados más clásicos y tradicionales, apostando además cada vez más por telas de algodón en lugar de lana.

El resultado de esta Misión Comercial fue esperanzador: varias empresas volvieron a España con pedidos bajo el brazo, y otras con pre-contratos con posibles distribuidores de sus productos en la Costa Este. Pero esto solo fué posible gracias al acierto de estos fabricantes a la hora de escoger el segmento del mercado a atacar con una relación Pta-$USA tan perjudicial para el precio de nuestras exportaciones, y frente a la imbatibilidad en precios de las telas del Sudeste Asiático, los fabricantes españoles descartaron el segmento de calidad baja y media-baja y apostaron por competir en el segmento de calidad media-alta y alta, ofreciendo telas de diseño y estampados de gran calidad.

Asi pues, se demuestra de nuevo que esta claro en la mente del fabricante textil español que frente a un mercado nacional estancado y con creciente presencia de importaciones, su futuro pasa a su vez por abrir nuevos mercados para sus productos por todo el mundo, tarea nada fácil y para la cual quizas llevemos demasiado retraso frente a italianos, franceses y asiáticos. Ω

ADRIAN FORASTIER *Oficina Comercial de España en Nueva York.*

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Import Boom Revs Retailing

While most retail outlets continue to be small and independent, their share of total retail sales is decreasing as big chains begin to dominate the industry

BY FLEMING CONSULTANTS

Of all the changes in Spain over the last 15 years, the most important, from a retailing point of view, has been the emergence of a consumer society in which the vast majority of people have lost the frugal spending habits of their parents who witnessed the ravages of the Civil War. Most Spaniards are now as much in debt as other Europeans, as they strive to enjoy, today, the pleasures of a modern consumer society, while deferring payments to "mañana." Reflecting this tendency, private consumption in Spain grew by a record 5.5% in 1989, the fastest growth rate in the European Community (EC) and way above the European average of 2.7%.

This consumer spending boom is having a two fold effect on retailing. Firstly, there is fierce battle taking place at the store level as a multitude of domestic and foreign producers fight for market share. Before 1986, between 15% and 20% of products on sale in Spain were imported. After only three years of EC membership, the percentage of imported products has risen to between 35% and 40%. Secondly, retailers are experiencing increasing competition as foreign retail companies are attracted to this new and booming market, one of the least restrictive in Europe in terms of retailing and consumer regulations, and which offers, in many cases, the prospects of higher margins.

A second phase of the retailing revolution has already started with the shakeout of products, both domestic and foreign, due to inadequate representation and distribution, poor marketing and host of other factors. One is also seeing a shakeout among retailers as many small, family owned, traditional shopkeepers close down because of lack of resources and poor management. The successful stores are those which have adapted to changing tastes and discovered new niche markets in this fast developing and highly competitive sector.

Too Many Small Outlets

While the vast majority of retail outlets (over 90%) continue to be small in size and independent, ie., unconnected with buying groups or franchises, they account for a steadily decreasing share of total retail sales. A good example of this phenomena is in the grocery sector where more reliable and complete information is available.

In 1989, of the 115,000 grocery outlets in this sector, one-fifth were self service and four-fifths were traditional corner grocery stores. Traditional stores now account for only 29% of total sales in 1989, down from 50% in 1982. Whereas, the 20,000 self-service outlets of all sizes increased their share of the market to 71% of total sales.

While large outlets dominate retailing in the Madrid region, the Barcelona area, on the other hand, has fewer large outlets (only four department stores), and there, traditional shops play a key role in food and non-food retailing. A recent government sponsored survey on consumer shopping preferences shows that while the modern forms of retailing are gaining ground, traditional retail outlets are still the preferred choice by the vast majority of the Spanish consumers.

Top Ten Spanish Retailers 1988

Company	Activity	Turnover (Million Pesetas)
El Corte Ingles	Department Stores	475,282
Pryca	Hypermarket	212,500
Continente	Hypermarket	147,033
Alcampo	Hypermarket	121,500
Galerias	Department Stores	92,000
Mercadona	Supermarket	81,500
Simago	Variety Stores	51,099
Hipercor	Hypermarket	50,985
Eroski	Supermarket	47,200
Dia	Supermarket	39,784
TOTAL		1,318,883

Franchising Sales by Sector 1988

Sector	Percent of Total
Personal Products	41
Food	17
Specialized Products	10
Hotel, Restaurants	10
Household Equipment	8
General Services	8
Personal Services	6
TOTAL	100

Source: FLEMING CONSULTANTS

The Major Spanish Retailers

The number one retailer in Spain is El Corte Ingles. A privately owned Spanish company, it has no near rival. Its importance in the sector can be judged from the fact that it alone accounts for almost one-tenth of the estimated turnover of the entire distributive sector and over one-third of the turnover of the ten leading retailers in Spain.

El Corte Ingles, which had a turnover in 1989 of $7 billion, is not just the number one retailer, it is Spain's third largest company, making it the largest privately-owned company in Spain, the second biggest advertiser and the largest clothing retailer. It also wholly owns a clothing company, Induyco, and a furniture company, Mostoles Industrial, both of which are the largest companies in Spain in their respective sector, plus a distributor of electronic products, Investronica, the largest Spanish-owned company in this sector. The doubling in size of the groups' warehouse (already the largest in Europe) will make it the largest automated warehouse in the world (bigger than Sears' warehouse).

In 1989, the turnover of the El Corte Ingles stores was equivalent to $175 for every man, woman and child in Spain. Over 2 million regular customers have an El Corte Ingles credit card and 30% of all sales are paid for with one of the many credit cards accepted. For big ticket items, such as furniture and furs, the store offers credit facilities, usually no deposit, 12 or 24 months to pay. And the store has a no-quibble, money back guarantee policy on returned goods.

Three French companies dominate the hypermarket sector. They are Carrefour, Premodes and Samu-Auchun. But Hipercor, the El Corte Ingles hypermarket chain, is quickly catching up on the French. Hipercor was slow to take on the French hypermarket invasion in its back yard. After careful planning, Hipercor opened its first hypermarket and at the same time set up supermarkets in many of its department stores. While it was the last of the majors to enter the field, it is the fastest growing company in the sector.

Since the opening of the first hypermarket in 1973, this sector has been the motor of distribution in Spain, growth has been spectacular. Ten years ago, 18 hypermarkets accounted for 6% of grocery sales. Five years later, the number of outlets had risen to 58 capturing 12% of grocery sales. In 1988, 107 outlets took in 17% of sales. Since 1985 there has been an average of 10 new hypermarket openings each year. There are now signs that this hectic pace is slowing, due mostly to the increasing scarcity of adequate sites and tougher planning regulations.

In department stores, Galerias Preciados, a distant runner-up to El Corte Ingles, is owned by the British Mountleigh Group which has staged a remarkable turnaround for a company that accumulated huge losses and which has had six owners in ten years, including the Spanish state. This reversal of fortunes was thanks to clever financial engineering and shrewd management.

Supermarkets are, by and large, regionally based and owned by a new breed of professional Spanish entrepreneurs. Mercadona, for example, was a small and not very successful supermarket chain in Valencia at the beginning of the eighties. It is now the largest, fastest growing and most successful chain in Spain.

With few exceptions, practically all retail companies reported increased profits in 1989. El Corte Ingles earned a profit before tax of 4% on sales and the hypermarkets are reckoned to earn on average 2% on sales. These returns are half those of French retailing companies which explains, in part, the strong French presence in the sector in Spain. It may also help to explain the relative absence, with one or two exceptions, of British and German companies.

> French companies are suceeding in Spanish retaling where US companies could not

French companies are succeeding in Spain where US companies could not. Sears and Woolworths both pulled out of Spain in the early eighties after years of mounting losses. Part of the reason was the recession. But most of the blame must go to the US companies lack of appreciation of Spanish tastes. The reason for the French success in hypermarkets, and more recently in commercial centers is due to three factors: (a) the existence of a large potential market next door, (b) the recent rapid rise in Spanish living standards and, most importantly, (c) the similarity in buying motivation and habits.

Franchising Boom

This is another area which is growing quickly. Sales generated by the 200 franchise names selling through 15,000 retail outlets are estimated to be $3 billion or 2% of retail sales. In France, by comparison, the sales generated by franchising outlets are equivalent to over 10% of retail sales.

Major internationally known names like Benetton, Tintoretto, Rodier, not to mention McDonalds and Wendys, plus a growing host of successful Spanish franchise names, such as Don Algodon, Amarras, Camper, etc. are changing the face of the high streets of Spanish cities and towns. The proportion of sales of personal products—clothing, footwear and cosmetics—has fallen to 41%, as franchises for services—the growth area—rises. Apart from fast food outlets, foreign companies have spotted a weakness in Spain—personal and business services—where franchising offers tremendous opportunities for growth.

Spain,however, does have certain characteristics that make physical distribution both difficult and costly. With 500,00 square kilometers, Spain is the second largest country in Europe after France, and the most mountainous after Switzerland. The poor rail system means that practically all surface transport travels by road, and the road network is severely inadequate. Spain's population of 39 million is concentrated in a few major cities, such as Madrid and Barcelona (both with a population of over 3 million) and Valencia, Seville, Malaga, Bilbao (1 million).

For these reasons most producers, but especially the majors, have large and costly physical distribution organizations of their own. This is particularly true of processed food producers where a high delivery frequency, direct to retail outlets, plays an important role. But there are few examples of 100% in-house distribution setups, as even the majors use distributors and traditional wholesalers to deliver to distant, low density areas.

Until the mid-eighties, Spain had a system of import licenses for most products. Each year a quota was established for the import of each product category. The distribution of these import licenses was very arbitrary, most going to a few large import/distribution companies. In an effort to spread out the very limited availability of imported products during the seventies, the administration started to distribute the import licenses to retailers. In this way, many retailers became importers, a situation which continues to the present day. Some developed successful agency businesses. Others branched out into wholesaling and distribution, but mostly on a local scale.

Many of these small professional import/distribution companies emerged in response to the enormous flood of imports starting in 1986. The most obvious case of a retailer becoming a major importer is the department store chain, El Corte Ingles.

Foreign Interest Increases

The most significant development in retailing in the past three years has been the surge of foreign interest in Spain. The French have consolidated their position in hypermarkets and have developed some of the most successful commercial centers. British retailers who were slow to see the potential in the Spanish market for their retail expertise have just started to take positions.

The most striking example of this is Marks & Spencer's joint venture with Cortefiel, a major clothing retail chain. This is the first time Marks & Spencer has entered into a joint venture as part of their few investments outside the UK. The venture can be considered as an ideal platform for the future expansion of M&S in southern Europe.

The majority of foreign investments in retailing have been joint ventures with Spanish outfits, and for good reason. Retailing is not easily transferred across national boundaries as consumer tastes, local customs and buying habits vary. And, in mass retailing, local knowledge and contacts are essential to pick and buy key sites and to find and deal with suppliers. One can expect to see a lot more of this type of transnational cooperation.

There are still many market niches waiting to be developed in Spain. As an example, book stores, photographic shops, stationery stores, hardware outlets and furniture stores are all hopelessly old fashioned, poorly stocked and give poor service, if at all. Ikea, the large Swedish furniture manufacturer and retailer is currently looking at Spain and Asko, the German retailing giant is planning to set up a 60,000 square meter store in Madrid with four departments: furniture, clothing, do-it yourself and food.Ω

FLEMING CONSULTANTS, S.A. *is a Madrid-based marketing research and consulting firm. Readers are encouraged to contact Fleming Consultants for further marketing information on other sectors in Spain: San Telmo, 37, 28016 Madrid. Telephone: (341) 458-0110, Fax: (341) 250-9416.*

Forecast: Sustainable Growth and Low Inflation

Investors should focus on those sectors in Spain that were sharply hit by recent drops in the stock markets

PRESCOTT, BALL & TURBEN

With a Gross Domestic Product (GDP) of $447 billion in 1989, Spain ranks fifth in the European Economic Community (EC). Its two most important economic achievements recently have been a rapid growth rate and inflation control. After peaking at 24.5% in 1977, inflation has gradually declined to the current 7%.

Spain's economy has grown steadily since 1983, with GDP increases much above the EC average—GDP's real growth was 3.3% in 1986, 5.5% in 1987, 5.2% in 1988 and 5% in 1989. Such growth rates, fueled by strong internal demand, have lowered the external imbalance, which this year will account for 3.7% of GDP in terms of current account deficit.

A very restrictive monetary policy aimed at cooling the economy was showing the first results when the Iraqi crisis broke out. Spain's recently announced budget, with its tighter economic policy, is now likely to result in lower GDP growth (3.5% in 1990 and 2.9% in 1991) and the maintenance of high interest and exchange rates. Inflation (around 7% for 1990) has been budgeted at an unrealistic 5% for 1991. It could again reach 7%, while higher oil prices and reduced revenue from tourism will increase the current account deficit (to 3.9% of GDP).

The Madrid Stock Exchange's (MSE) market capitalization has grown dramatically over the last few years, from $15 billion in 1983 to $119 billion in 1989. However, the MSE is still relatively small by international standards. It has about one-eighth the market capitalization of the U.K. and much less than the U.S or Japan.

Numerically, the Spanish market is dominated by medium-sized companies. In fact, only about 60 out of the top 300 Spanish industrial companies are listed, and less than 40% of the 100 largest companies' turnover is currently represented. As a result, the banking sector has an overwhelming weight of 30.9% on the Madrid Exchange, whereas the hotel and leisure sector, which is of extreme importance in Spain's economy and accounts for 10% of world revenues from tourism, is not represented at all.

> **The United Kingdom accounts for half of total foreign transactions in Spain**

The excellent performance of the Spanish market from 1984 to 1989 was coupled by a very healthy increase in trading volume ($38.3 million in 1989), but Spain still is considered a fairly illiquid market. However, that volume is concentrated in a limited number of stocks that compare favorable with international standards in terms of liquidity.

Transactions by overseas investors as a percentage of total volume traded have increased from 5% in 1983 to 20.5% in 1989. The U.K. accounts for half of total foreign transactions. Japanese and U.S. investors still remain underexposed to the Spanish market.

Throughout the winter of 1990, the MSE has had a price-to-cash-flow ratio of 5.7 and gross dividend yield of 4.7%. These figures take several phenomena into account. They reflect the fact that Spanish companies probably have better profit prospects than do other European countries and most of the OECD countries. Also, many Spanish companies do not fully consolidate their subsidiaries' profits. Finally, Spanish accounting standards report profits very conservatively, allowing companies to provide for very high depreciation charges, many risk concepts and future liabilities.

The Madrid Stock Exchange has fallen by 19.3% since the beginning of the Gulf crisis (20.6% accumulated in 1990). It has been one of the hardest-hit markets in Europe, and remains very sensitive to oil price and Wall Street fluctuations. However, long-term investors should have a look at Spain. The international environment does not encourage investing in stock markets; warning bells of recession in several countries are being sounded and the Iraqi crisis has shaken business confidence.

Spanish economic growth can be sustained and U.S. dollar exposure is low despite external imbalance and inflation pressures. Spain has the extra attraction of being undervalued in terms of price-to-earning and price-to-cash-flow ratios, a fact likely to tempt corporate activity. Caution and selectivity are necessary, however.

Investors should focus on those sectors that were sharply hit by recent drops and show attractive multiples and good fundamentals, as they will by less affected by a higher oil price and its consequences. Conservative sectors are best, although not those which are highly geared to changes in the pace of economic growth, or linked to energy inputs or U.S. dollar-denominated exports. Our picks are healthy companies with sound financial structures, attractive dividend yields and liquidity in the electrical utilities, banking and construction industries . Ω

PRESCOTT, BALL & TURBEN, *is a division of Kemper Securities. For further information on investment trends in Spain, contact Elena Fernandez-Trapiella in New York City at tel: (212) 938-7208*

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SPECIAL REPORT

Spain Today: The Emerging Platform For Business with Europe

This Seminar report highlights the current financial, management and legal trends in Spain that reflect its dynamic and vigorous pursuit of the promise of 1992

BY JANE BLANSFIELD

If 1992 isn't designated by the United Nations as "The year of Spain," it should be: in those 365 days, the country will play host to the Summer Olympics and the World's Fair, celebrate the 500th anniversary of the discovery of America and bask in the honorary designation of Madrid as Capital of Europe. But the most pivotal event planned for 1992 is the launching of a newly integrated European market, and as the seminar organized by the Spain-USA Chamber of Commerce in association with the Goldhirsh Group sought to demonstrate, Spain's position as an ideal springboard for access to that market assures it a key role in Europe's economic future.

Titled "Spain Today: The Emerging Platform for Business with Europe," the seminar was held on September 24th in New York and was attended by over 120 high-level executives of large and mid-size U.S. companies interested in establishing business links in Spain with an eye toward European market penetration. Participants heard presentations from some of the leading company's experts on legal, governmental, financial and technological aspects of foreign investment. At lunch they were joined by senior managers for a keynote speech by Robert Neimeth, president of Pfizer International, who gave a first-hand account of his company's successful association with Spain.

> **Spain has the fifth largest economy in Europe and its political stability is attracting large amounts of capital, giving it the highest growth rates in the EC**

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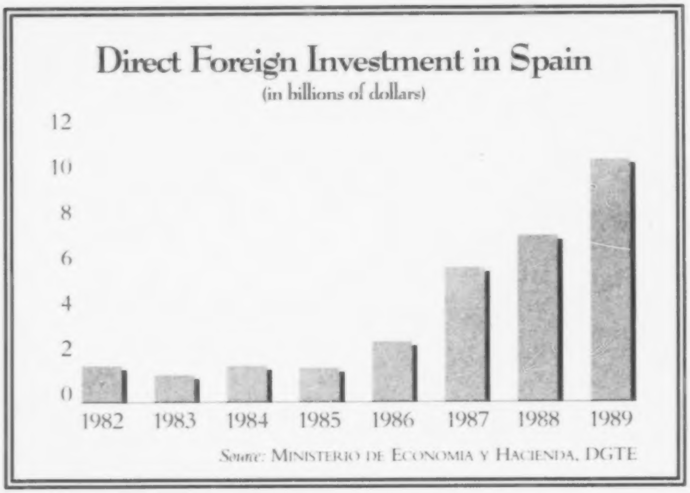
Prior to the morning session, Frank Bacchus, President of Integrated Management Enterprises, a computer systems and human resources consultancy, said that although he had already been introduced to Spain through one of the U.S. Chamber of Commerce's "Matchmaker" programs that went to Madrid and Barcelona in May 1990 and was currently negotiating a deal with a software distributor, he was eager to learn more. "I see tremendous potential for doing business in Spain and have found the Spaniards to be really enthused," he said.

Guy Russo, Executive Vice President of Nippon Industries, was similarly upbeat. "The Spanish are ideologically consistent in their goals for expansion and are trustworthy trade partners, creditable people to do business with. They're not afraid to take a shot," he said. Though his company is already selling its products in the country—its swimming pool chemicals have done extremely well—Mr. Russo said they were now looking to locate there, thanks in part to the tourism sector's providing an ample market.

The seminar began with a brief welcome from Ricardo Jové, president of the Spain-USA Chamber of Commerce, in which he stressed the objectivity of the views to be pre-



Source: Ministerio de Economia y Hacienda, DGTE

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sented throughout the program. Then, in the opening address, Mr. Apolonio Ruiz-Ligero, Spain's Secretary of State for Commerce, forecasted a favorable climate and a positive evolution for investment in Spain. Although a shift in interest to Eastern Europe has affected portfolio investment, he said, he doubted change would be rapid in those economies and characterized forays there as "long-term commitments with dubious returns." And though its dependence on oil imports—representing 54% of its energy needs—could mean real income decreases if the Gulf situation deteriorates further, Spain's stable labor conditions, modern infrastructure and increased internationalization still make it one of the surest and safest bets in Europe.

Spain's Industrial Policy for the 1990's

Carlos Estevez Ruiz de Castaneda, President of the state-owned Empresa Nacional de Innovación (ENISA), moved the seminar into the nitty-gritty with his introduction to Spanish industrial policy and the incentives it provides to investors. He claimed that investing in Spain is the same as investing in Europe, saying that in 1993 the accessible market would be comprised of 40 million Spaniards plus 350 million Europeans. Spain has the fifth largest economy in Europe and its political stability is attraction large amounts of capital, giving it the highest growth rates in the European Community (EC). Nevertheless, American investment in Spain is still relatively small, representing only 5% of total foreign investment.

According to Mr. Estevez, Spain is dedicated to quality, fomenting high technology, meeting deadlines and providing top service. Government subsidies and soft credits are extended to help meet quality levels. The country is spending 100% more on R&D than in 1985 and new technologies are being deployed in the transportation sector, with a notable example being the new high-speed trains scheduled to come into service in time for the Seville World's Fair. The government is particularly interested in joint development ventures, Mr. Estevez said, and offers subsidies of up to 50% for particular depressed zones.

ENISA: Partnership and Guidance in Investment

Juan Ramón Durán, of ENISA, had as object of his talk the instrumental role his company can play in helping foreign industrial investors establish themselves in Spain. Representing the national government in collaboration with regional agencies, ENISA is capable of providing foreign investors with services ranging from site selection to the smooth handling of administrative concerns, small details which for foreigners can often prove major sticking points.

The development of Spain's industrial sector is high on ENISA's list, Mr. Durán said, and it has singled out as high-need such sectors as biotechnology and electronics. With new projects studies; in traditional manufacturing sectors it works to strengthen design and quality; major development projects it matches suppliers with auxiliary industries and consumers; and in depressed region it acts to stimulate development by encouraging the use of regional resources and implementing governmental incentive programs.

On the technological innovation front, ENISA serves as a liaison to the CDTI, which is a major source of technology transfers and new technology development. ENISA concentrates on seeing the manufacturer through the crucial production and commercialization phases of R&D projects, again acting as promoter or co-promoter.

Venture capital project development was the last but apparently not least of ENISA's activities enumerated by Mr. Durán, who said his company "is extremely interested" in pursuing this line of action. "If your company is sound financially and technically, we're interested in you. We take a minority stake; we won't cause you any trouble as stockholders and would hold the stock for three or four years and then sell it back to you. We want to assist, not to control."

McKinsey & Company: Lessons from M&A

Having opened its Madrid office in 1978, the prestigious international management consulting firm of McKinsey & Company has had ample time to develop a clear sense of the myriad advantages awaiting foreign entities interested in Spain. In the opinion of Director Francisco Moreno de Alborán Vierna, "Spain is an attractive place to invest and will continue to be so. It has competitive advantages over other European countries, and many foreign companies have already acted accordingly. Showcase examples include Dupont, General Electric, General Motors, Ford, Nestle, Ericson, Carrefour, Philips and Neckerman. For those who have not, there are still many opportunities for making inroads into the EC "

> "The keys to success include focus on value creation, an active participation in candidate screening; and thorough post-acquisition integration planning"
>
> —McKinsey & Company

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Spaniards are sophisticated consumers but still show good growth potential, leading market experts to project an average 3.7% GDP for the years 1990 to 1994 with and inflation rate of 4.5%. Hourly wages average $6, compared to $10 in France and $13.70 in the U.K. The freeing of prices from state intervention, the relaxation of foreign exchange controls and the modernization of financial markets have combined to stimulate competitiveness, Mr. Moreno said, as shown by 1989's $280 billion stock volume.

For Spain, European Community entry has meant removal of industry tariffs and of quantity restrictions on imports and exports; changes in taxation in accordance with Community regulations and a growing concern for market safeguard procedures. The development of consumer protection groups, the creation of a securities and exchange commission and a requirement that firms submit to external audits are some steps which are being taken in the latter regard.

According to Mr. Moreno, foreign companies that have been successful in Spain, such as Nestle, Ford and GM, had some of the following points in common:

- Some source of advantage (know-how, technology) was established
- A dominant local market position was sought and achieved
- Good local senior management was retained
- A long-term perspective

Mr. Moreno stressed the necessity of a long-term outlook, describing the current market situation as "a tight battlefield."

Continuing with the same theme, Juan M. Hoyos Martinez de Irujo, Principal of McKinsey & Company, said that the small-scale nature of the majority of Spanish companies leaves considerable room for foreign involvement. Only 1% of them have more than 250 employees, and 4% have between 50 and 250 employees, while 19% have between 11 and 50 and 76% (or 200,000) have less than 11. But with EC entry, the country faces a growing homogeneity of demand and needs to achieve economies of scale.

International companies seeking investment avenues have several options, Mr Hoyos said, including creating a niche, a Pan-European company, or a Spanish alliance. Among the successful acquisitions he cited figured UPS's 100% purchase of Cuallado, an Urgent Postage company, and Procter & Gamble's 50% share in Grupo Arbora, a food concern. But of 116 acquisition cases studied, 61% were unsuccessful, while those involving big non-related companies were found to have an 86% failure rate. "The smaller the company acquired, the more similar the business, the better the chances," he said.

Common pitfalls among joint venture as well as merger and acquisition transactions are an overestimation of market potential; inadequate time-tabling throughout the life of the deal; an optimistic evaluation of synergies and mismanagement of the post-deal integration effort. Accordingly, Mr Hoyos concluded that the keys to a successful approach are a focus on value creation, or a clarification of what each player is bringing to the partnership; an active participation in candidate screening; and thorough post-acquisition integration planning "starting from day zero."

Recent Foreign Acquisitions In Spain–1990

Foriegn Company	Nationality	Spanish Company	Industry	%
United Parcel Service	USA	Cualladó	Urgent Postage	100
Procter and Gamble	USA	Grupo Arbora	Consumer Goods	50
Unilever	UK/Neth	Aceites Costablanca	Food	100
Ashley	U.K.	Dismo	Supermarkets	100
Ciments Francais	France	Financiera y Minera	Cement	76
Procordia	Sweden	Damel	Food	100

(Total Acquisitions: 1st half 1990: 78)

Source: McKinsey & Co.

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Restructuring Probability in Spain

Percentage of companies in sample

Attractiveness of company as potential acquisition candidate / Structural Stability of the Industry	Stable	Discontinuity	Accelerated restructuring
HIGH	2%	**18%**	**13%**
MEDIUM	7%	6%	**12%**
LOW	17%	13%	12%

Gray areas indicate high restructuring probability

Source: MCKINSEY ANALYSIS

Banking and Industry

Luis Valero Artola, Vice President of International Relations for the Banco Español de Credito (Banesto), opened this part of the seminar by stating that the presence of 170 banks in Spain makes for a very competitive atmosphere. But the horizons are broadening and the liberalization in Spain's financial systems promises greater involvement of Spanish banks abroad as well as an increased foreign banking presence at home.

Starting with new foreign investment laws and the initial penetration of foreign banks in 1977 and passing through the 1978 Exchange control law, Spain capped off its financial liberation agenda with last year's stock exchange reform. So far the changes have proved highly beneficial for local banks. According to Mr. Artola, banks are providing better services, increasing the sophistication of their financial deals and strengthening their international divisions.

In terms of international business, Spanish banks suffer limitations due to their small size and to the lack of big Spanish companies with multinational presence. Past operations in Europe yielded negligible profitability. But with the promise of 1992 ahead, the sector has developed new strategies based on cooperation agreements, cross-holdings of shares, mergers, and majority stakes or management control. On the service side, Mr. Artola said Spanish banks offer trade finance transactions such as export credit schemes akin to France and Italy's, while merchant banks are prepared to assist with mergers and acquisitions, LBO's, MBO's and mezzanine finance.

In sum, Mr. Valero stressed that Spanish commercial banks are fully capable of providing international banking services to foreign companies established in Spain, adding that the efficiency of these services has already earned them a faithful Spanish clientele.

> "Spanish banks offer trade finance transactions such as export credit schemes, while merchant banks are prepared to assist with M&A, LBO's and mezzanine finance."
>
> —BANESTO

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Banesto Addresses Retail Banking

Ramón Bustamante de la Mora, Banesto's Executive Vice President for retail banking, commented that though banking is one of Spain's most stable sectors, changing operative strategies have earned it a permanent place in the news. The recent mergers of the Banco Bilbao with the Banco de Vizcaya and of the Caja Barcelona with the Caja de Pensiones are the most visible indications of the redefinition now underway.

Direct access to the market has led to closer contact between borrowers and lenders, an important factor in the innovative process. The burgeoning economy and the consequent improvement in people's financial positions have also had a profound impact on the financial sector, Mr. Bustamante said, obliging it to alter its approach to deal with a more sophisticated and better informed client. Changes in monetary policy instituted in 1989 and including an increase in the reserve requirement from 20% to 25% and the withholding of personal income tax on securities shook things up still further.

According to Mr. Bustamante, Banesto follows a two-pronged approach to banking, one of which focuses on banking and financial activities while the other attends to industrial management. The band's commitment to industrial development has historically been strong, and today it values its portfolio participation at over 300 billion pesetas.

Banesto also pays special attention to the financial development of small and medium-sized companies, implementing agreements with autonomous regions for the channeling and management of EC grants. Last year its companies received 22 billion pesetas in loans subsidized by the European Investment Bank. And for the individual client, the bank's "Cuenta Unica" ("Single Account") offers a multitude of services with a high market return. In conclusion, Mr. Bustamante said Banesto "seeks to attend to our client's needs and to continue to support all aspects of society's development."

Fiscal Treatment of Foreign Investment

A practicing Attorney at Law in a Madrid-based firm, Carlos Palao Taboada presented an investor's guide to Spanish taxation. Pointing out the contradiction between Spain's desire to attract foreign investment and the existence of certain tax regulations hindering it, Mr. Palao observed that the liberalization of investment was accompanied by a parallel use of foreign exchange formalities as tax control devices.

The high taxation of capital gains represents another contradiction and is the harshest in the EC, as gains are taxed as ordinary income. Combined with a recent increase in withholding tax from 20% to 25%, this system "places Spain in an unfavorable position in relation to Europe," Mr Palao said. He also deemed inadequate the internal regulation of non-resident taxation, saying its governing provisions lack clarity,its criteria of applicability of Spanish tax law are unrealistic and its regulative differences are unjustified.

As for present trends, Mr. Palao said that revision of the non-residential tax policy is an objective and that a recently drafted Individual Income Tax Act "shows some interesting features, but does not face the problem." Meanwhile, the U.S.-Spain Tax Treaty, passed by the U.S. Senate and the Spanish Senate and following the OECD model, will allow the U.S. to withhold the right to tax its citizens; maintain the right of the host state to tax capital gains; and provide for the granting of underlying tax credits to Spanish parent companies.

Commercial Legislative Reforms

A practicing attorney in Madrid, Antonio Palou-Bretones gave a concise and informative look at the impact of EC membership of Spanish commercial law. He started by citing recent legislation involving adaptation to EC guidelines for the constitution of commercial companies.

Law 19/1989 requires that such companies have a minimum of three founders, state a clear business purpose, have a share capital of at least 10 million pesetas, submit to the appointment of outside auditors, and adhere to a 20% reserve requirement. Law 24/1988 introduced a new stock exchange system governed by a national commission and administrated by joint stock companies and agencies. And a new auditorship law inspired by the VII EC Directive calls for the independence of the auditor, access to his certificate and the duty of companies to accept the report.

Societies that fail to increase their share capital to the minimum stipulated by Law 19/1989 face reclassification from a limited company to one with limited liabilities, which among other things would entail

Questions from The Seminar

The first inquirer wondered whether investment condition were likely to change after 1992. Mr. Ruiz-Ligero responded that while Spain's policies were clear from now through 1992, the EC is now discussing what would happen after January 1993, and Spain is aware that its regional needs would have to be reanalyzed.

Another participant asked about the distinctions made between regions, and Mr. Ruiz-Ligero said subsidies varied according to need and that none were offered in Catalonia, the Baleares, Madrid, La Rioja, Navarra, the Basque region and part of Aragon. Another questioner wanted to know why American investment in Spain was so low. Mr. Ruiz-Ligero felt that American companies didn't know Spain very well and used Germany, which represents 15% of total foreign investment, as a comparison.

To a question regarding whether a gap exists in management thinking between Spain and the U.S., Mr Moreno responded that he didn't see any major differences, and that if any did exist they would likely be sector-related. Mr. Hoyos said that if there were gaps, generational changes in Spain's top management and the presence of new blood were narrowing them. "At Banesto, our 81-year old former chairman was succeeded by the 39-year old Mario Conde, who has a very dynamic, international outlook."

One participant wondered whether there were any negatives in Spain's current situation. Mr Moreno cited the country's high dependence on oil and its naggingly high unemployment rate, as well as labor issues such as those surrounding a painful steel sector restructuring. Mr. Valero mentioned structural limitations such as the inadequate highway system and delays in phone service, while reiterating the impact of trade union activity.

When asked how an interested party would go about setting up agreements, Mr Hoyos said, "Look for it; do it; and, most importantly, run it."

a ceiling of 50 members, non-negotiable securities and an increase in stock transmission formalities. According to Mr.Palou, a favorable atmosphere exists for carrying out mergers via takeovers or by creating new companies, though they are subject to government approval and the parties are obliged to make their intentions public starting from an early stage.

Since familiarity with US/Spanish/EC legislation is key to successful foreign penetration in the Spanish market, Mr. Palou said that procuring sound fiscal advice and establishing efficient contacts with the Spanish public administration should be top priority for potential investors.

Conclusion by the Commercial Office of Spain

In an apt summation of the day's discussions, Mariano Muela, Trade Commissioner in New York from the Commercial Office of Spain and former head of the government's foreign investment promotion program, said the main reason for the surge in foreign investment is that "companies find it easy to make money in Spain." The considerable size of its market, the dynamism of its economy and its efficient legal and administrative framework add up to a strong argument in its favor. With a GNP that is two points higher than the OECD average and projected to remain so over the next two tears, Spain also enjoys a comparative advantage over its EC neighbors. Partly because its investments are outpacing savings, Spain is avidly seeking funds from abroad, and so far, the response has been commensurate: 1989 direct foreign investment was $11 million.

At the close of the proceedings, the seminar participants exchanged impressions over glasses of Spanish cava, and the tremendous enthusiasm which had been apparent at every stage of the day was still evident. Julius Olita, senior vice president of Pacer Systems, said his company had tried unsuccessfully to sell a special ship stability system to the Spanish Navy, and that he now felt prepared for a new round of negotiations. "In our initial contacts we had the right product but the wrong approach," he said. "Now I have a much better idea of how the market operates." And as Marylinda·Ramos of Band America International put it, "I learned as much today as I might have in a week's trip to Spain." Ω

JANE BLANSFIELD *is a freelance journalist based in New York who was previously a Madrid correspondent for BusinessWeek and London's Financial Times.*

At a Glance: Regional Incentives

INCENTIVES ARE SUBSIDIES

Regional incentives are loss fund subsidies calculated on the investment approved by the Spanish government and can also take the form of tax or Social security credits, tax exemptions and interest credits. Items eligible for incentives are new or first-use assets including land which is necessary for the performance of the project. Investments in planning, engineering and management of the project that are related to these new fixed assets are also eligible.

ACTIVITIES THAT CAN RECEIVE INCENTIVES

Observing at all times the Community rules, especially sensitive sectors such as iron and steel industry, ship building, textiles and synthetic fibers and the food and fish processing industries, the following can be subsidized:

a. Extractive and processing industries, particularly those involving advanced technology
b. Food processing and aquaculture industries
c. Industrial support services, especially those that improve commercial structures
d. Specific tourist facilities that impact on development in the area

TYPES OF PROJECTS THAT CAN BE PROMOTED

a. New business establishments that generate new jobs
b. Expansion projects that create new jobs
c. Transfer projects with new investments in fixed assets
d. Modernization projects that substantially increase productivity and acquire technologically advanced material

CONDITIONS FOR INVESTMENT PROJECTS

a. Location of the investment in any of the designated promotion areas
b. Investment in fixed assets of a minimum of 15 million pesetas
c. Self-financing of a minimum of 30% of investment amount
d. Creation of jobs or preservation of jobs in cases involving modernization
e. Non-commencement of the project prior to the application for benefits
f. Project must be judged viable technically, economically and financially

AID DISBURSEMENT

Aid is disbursed and allocated through the federal government's Commercial Registry's Managing Office in the appropriate autonomous region. Once the application for regional incentives is accepted by the Managing Office, the investor may proceed with the investment.

The interested investor will have 15 business days from the formal notification of the individual decision to expressly accept the award of the subsidy in all of its terms and conditions. If the company is in the process of being created, a period of four months, which can be extended four more months, will be conceded.

In the period of one year from the Managing Office's decision, the company must have completed 25% of approved investment or part thereof agreed upon by the Managing office. After the lapse of the mentioned time period without performance of obligations, the investor will forfeit its rights and lose the subsidy.

For further information, contact ENISA in Madrid at (341) 308-6044 or the Ministerio de Economia y Hacienda in Madrid at (341) 571-4412.

Source: ENISA

An Economic Overview of Spain

Spain's Secretary of State for Commerce, Mr. Apolonio Ruiz-Ligero, outlines the Spanish government's current aggressive liberalization policies, particularly regarding foreign investment, and forecasts a favorable economic outlook

SPECIAL REPORT

Since the beginning of the 1960's, Spain has experienced a progressive process of external liberalization and integration into the world economy. Accession to the European Economic Community (EC) has accentuated this process. Although the last few months of 1990 have seen higher inflation than expected and the current deficit has increased, Spain's current economic policies are in place to cushion this recent economic downturn in Spain, while providing macroeconomic stability and assuring Spain's new status among the major industrialized nations.

From Adjustment to Rapid Growth

After a costly but inevitable adjustment program from mid-1983 to mid-1985, the Spanish economy entered a period of expansion. Economic growth has surpassed 5% over the past three years and brought about greater confidence among the foreign investment community. Net job losses from 1981 to 1984 have given way to net job creation and greater flexibility unparalleled even in the expansionist period of the 1960's. Finally, rigid anti-inflationist policies have succeeded in bringing prices down since 1986 to its current range of 6.5% to 6.9%.

Two other important economic indicators that characterize Spain's economic outlook are the current account balance and net foreign capital inflows. An increased trade deficit resulted from the growing gap between imports and exports where the rate of increase experienced by imports greatly outpaced that of exports, which have shown steady growth and profited from increasing investment flows into the exporting industries. The current account deficit has been, in large part, financed by direct foreign investment and other capital inflows. Testimony to this trend was a 38% increase in direct foreign investment during the first two quarters of 1990 compared with the same period for 1989.

After half a decade of transition, strong internal demand and consistent foreign investment continues to drive Spain's robust economy

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Financial Liberalization is the Rule

The Spanish legislation on capital movements has been substantially modified in recent years. There has been a progressive liberalization of transactions between residents and non-residents as Spain's entrance into the EC in January 1986 contributed decisively to this evolution. This process has been further stimulated by Europe's Project 1992 which will eventually require the national promulgation of over 250 directives that seek to harmonize fiscal laws, product safety and manufacturing standards, labor laws and provide for the absolute free movement of EC citizens within the borders of the Common Market. Although EC regulations on capital movements have become directly applicable to Spain, the authorities negotiated transition periods lasting in some cases to 1995.

The Spanish government affirms that our legislation concerning foreign investment is even more liberal than the ones applied in other countries. Most significantly, Spain's exchange control liberalization has been implemented swiftly and shown impartial treatment among

EC and non-EC members alike.

Liberalization in the foreign investment entitles foreign investors to remit abroad, without any quantitative limitation, the funds invested, the capital gains obtained and the dividends and profits legally distributed. The only requirements for such remittance are that appropriate taxes have been paid and procedural formalities have been made.

Exceptions to the "rule" include investments in gambling, activities related to national defense, television, radio and air transport which subject to authorization by the Council of Ministers. Also, financial loans from abroad have been under certain restrictions since January 1989 due to temporary monetary policy measures.

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US Investment is Encouraged

The composition of foreign direct investment in Spain shows that the United States ranks sixth after Holland, Germany, France, the United Kingdom and Switzerland respectively. This underscores the importance of U.S. investments however, because large U.S. corporations invest in Spain through other European affiliate companies Recent successful examples have been Dupont's investment in the northern costal region of Asturias, General Electric's plastics division investment to build a factory in the southeast region of Murcia and General Motors investment to augment its manufacturing capacity in the southern region of Andalucia.

The ratification of the U.S.-Spain Double Taxation Treaty, due to take effect by early 1991, will provide a further boon to U.S. business in Spain. (see "Tax Treaty" in THE BUSINESS LINK Fall 1990) According to U.S. specialists, there is a clear pickup in the number of American corporations trying to secure a strategic presence in Europe. This investment surge has by no means been exclusively dominated by major U.S. multinational corporations, but also consisted of many investment arrangements among U.S. middle-market companies who have sought to operate in Spain through licensing agreements, agent or distributorship contracts or other types of strategic joint venture transactions. There is no better time than now to move into Europe. The progressive internationalization of the Spanish economy, together with the modernized stock markets and the increasing sophistication of the financial markets make Spain a very attractive country to invest in. Ω

At a Glance: Tax Incentives

U.S. corporations that sell goods outside the United States are subject to taxation both in the U.S. and, in some cases, in other jurisdictions into which it is selling its goods. The corporation can reduce the total effective tax rate on its export income by:

1. Utilizing special U.S. tax incentives for export activities
2. Avoiding establishment in high tax jurisdictions
3. Effectively utilizing its foreign tax credit
4. Deferring U.S. tax on foreign source income by conducting certain activities through a foreign subsidiary

FOREIGN TAX CREDIT POSITION OF U.S. GROUP

1. If a U.S. parent has excess credits, reducing European taxes gives a "bottom line" benefit by creating low-taxed foreign source general limitation income.
2. If a U.S. parent has excess limitation, reducing European taxes gives cash flow benefit if deferral is achieved and gives "bottom line" financial statement benefit if the U.S. parent represents that low-taxed income will not be repatriated to the U.S.

EFFECT ON CUSTOM DUTIES

Where the U.S. firm sells to a related party which resells and distributes its profits up to the U.S. parent, the customs authorities in the EC country may consider such dividend as part of the value of imported goods. This treatment can be avoided if the EC subsidiary can provide that the dividend is not related to the imported goods and the transfer-price of the imported goods have not been influenced by the relationship between buyer and seller.

IDEAL TAX STRUCTURE

The ideal structure is to locate all of a group's sales activities in a low tax jurisdiction (e.g. Switzerland) and sell into nearby high tax jurisdictions (e.g. Germany) using independent agents or modern communication means.

The distribution function would incur a low foreign income tax liability and there would be generally no exposure to tax in the high tax jurisdiction because the selling entity would not have a permanent establishment. The income would probably be tainted income subject to current U.S. income tax, however, if the U.S. corporation is an excess credit situation, this low-taxed general limitation income might be realized on a tax free basis. However, marketing may not be effective and using an independent sales agent results in a portion of the sales profit being transferred to an independent party.

Prepared by: ERNST & YOUNG'S EAST REGION INTERNATIONAL TAX GROUP IN BOSTON, MA.

Consolidation and Modernization Pave the Way for Spanish Banking In the 1990's

Spain's Banco Español de Credito has responded to the international dynamic banking environment by organizing its management and its operations along both industrial and non-industrial activities

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Over the past five years, the banking industry in Spain has undergone a period of intense deregulation that, while causing a minor shakeout among second tier savings and commercial banks, has confirmed the competitive position of Spain's largest banks in a global context. At the forefront of the industry, Banco Español de Credito (commonly referred to as Banesto) is emerging as a global player by aiming to cater to the international middle market as well as large institutional trade and investment needs, while serving Spain's young and growing retail population in the tradition of the universal model of banking.

The new financial landscape in Spain has been the direct result of two interrelated phenomena. First, the rapid pace of technological change in global financial markets, spurred by the momentum of Europe's Project 1992, has necessitated the streamlining of the Spanish banks' operations in all service areas. Second, the continued successful efforts of Spanish monetary authorities to ease restrictions on institutional borrowing, foreign exchange controls and foreign direct and portfolio investment flows have made increased efficiency a strategic imperative among the banks.

In the first half of 1989, the banks followed a policy aimed at maintaining their financial margins which were threatened by the increased competition that followed liberalization. With higher costs of interbanking resources and cash reserve increases further aggravating the situation, banks sought to offset the skinnier margins by increasing both their rate of consumer deposits and their commission fees and prices for banking services.

A Strong Industrial Participation

In many ways, Spain's Banco Español de Credito has best responded to the international dynamic banking environment by organizing and focusing its operations and management along two complementary lines of business-a source of credit and finance for foreign-owned and domestic industrial companies in Spain, and everything else. The distribution of the bank's office locations reflects this structure with 50.5% of the branches in industry-related activities, 27.1% in commerce and services, 13.3% in food and agriculture and 9.1% in other activities. Indeed, one of the bank's greatest assets is its extensive domestic and international network which is concentrated in southern Europe.

On the industrial side and not unlike the banking institutions in Belgium and Germany, Banesto's structure also reflects its aim to cater to the specific restructuring and credit needs of the primary industrial conglomerates in Spain including mining, metals and chemical concerns to name a few. The integration of banking and industrial activities under one roof has been pioneered in Spain by Banesto through its recent formation of Corporación Banesto. This "holding company," which since November 1990 has been quoted on the Madrid Stock Exchange, currently surpasses 300 billion pesetas in market value and serves as the bank's international joint venture arm. For example, in 1990, Banesto financed Acerinox's $350 million partnership investment with Armco USA to build a modern steel plant in the U.S.

> In response to growing international concern about the environment and pollution, Banesto has carried on its tradition of social commitment by creating the "Banco del Medio Ambiente" or Green Bank

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The bank's second line of management focuses on providing both traditional and innovative financial, trade and retail services to non-industrial customers. Most recently, Banesto launched a sophisticated financial product-line to include the FOREX service that ensures foreign exchange stabilization for import-export operations. The export finance services currently represent a source of growing business, especially in Spain. Banesto is well-poised to take advantage of the export service market due to its extensive relations with both industrial and non-industrial middle-market and large Spanish companies.

For international portfolio investment services, Banesto works with Lacaci, a brokerage house that carries out investments through the stock exchanges in Madrid and Barcelona. Banesto's control of Spain's largest insurance company La Union y El Fenix corners that market, and its Banesto Europa arm in Brussels provides legal and bureaucratic consulting for investment opportunities stemming from Europe's Single Market.

Among its specialized services that have been launched over the past two years, Banco Español de Credito features Agrobanesto, which acts as an information instrument, counseling and management for Agrarians and agriculture food sectors. With the entry in the European Economic Community, Spain receives many loans and financial aids including funds from the European Investment Bank which have made possible the establishment in Spain of a European Center of Information and Promotion of the Rural Environment. Banesto extends substantial financial support to these initiatives.

Since 1989 cash management services at Banesto have experienced a great amount of development. Encouraged by 1992, which has increased the importance of direct access to markets in Europe, companies seek a new financial source or possibility of placing their Treasury surpluses in financial assets demanded for their liquidity and profitability. Banesto's Money Market Room has a special client service unit which allows immediate access to transactions both in pesetas and other foreign currencies. The necessity of adapting new products and services to new and specific client needs motivated the creation of investment funds and equities that are managed by Patrival, S.A. and Diverval, S.A. with a 100% participation of the bank.

Finally, in response to growing international concern about the environment and pollution, Banesto has carried on its tradition of social commitment by creating the "Banco del Medio Ambiente" or Green Bank. This new division is dedicated to serving customers and companies with pollution and recycling-related investment projects by offering financing for these projects and for mergers or acquisitions between these companies. Ω

Sources of Competitive Advantage Of Foreign Companies in Spain

FOREIGN COMPANY	SECTOR	LIKELY ADVANTAGE BROUGHT IN
Nestle	Food	Superior product quality, marketing skills adapted to local conditions
Ericson	Telecomm.	Superior product and technology
Carrefour	Distribution	New concept (Hypermarkets)
GM, Ford	Automobile	State-of-the-art technology, ability to develop auxilary industry
Philips	Lighting	Superior technology
Nekerman	Tourism	Ability to match foreign demand with local supply, new products

Source: MCKINSEY & CO.

Pfizer in Spain: Using Investment As a Vehicle for Market Penetration

Before an audience of over 120 top government and business executives from Spain and the United States, the President of Pfizer International, Mr. Robert Neimeth, addresses Spain's pharmaceutical industry and focuses on the country's investment potential for U.S. companies

SPECIAL REPORT

As one of the leading multinational pharmaceutical and health-care corporations in the world, Pfizer Inc. started its operations in Spain in 1954 with a sales promotion office. It now has four main branches including the Binesa plant, a large manufacturing facility near Madrid, and offers animal heath products, specialty chemicals, mineral products and consumer products. There is no doubt that Pfizer's success story is due in large part to the amenable economic environment in Spain. However, it is currently facing some potential, industry-specific obstacles stemming from Europe's planned single market for drugs by 1992.

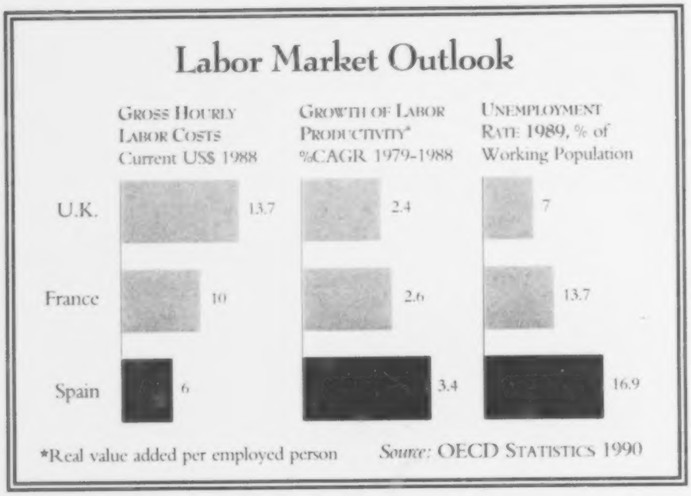
Pfizer became a stock corporation ("Sociedad Anonima") in 1962 following the successful completion of a stabilization plan that enabled the country to open up to foreign investment. In 1982, following an investment in new chemical synthesis facilities, the manufacture of key new drugs emerging from research efforts was initiated at the Binesa plant. Pfizer used raw material production in Spain to satisfy 70% of its local requirements in 1989. In 1990, the policy of local basic production will continue as Pfizer gears up to manufacture its most recent discoveries in both the human and animal health-care areas.

> There is considerable untapped potential in Spain's autonomous regions and the labor force is abundant and highly skilled, particularly in pharmaceuticals

* * *

Pfizer's growth in Spain resulted from the consistently increasing rate of capital investment, sales, and number of employees. Growth has been tremendous, reaching a consolidated capital amount of 948 million pesetas or $10 million with total assets valued at $53 million. The annual sales of Pfizer in 1989 in round figures were 5.5 billion pesetas or $60 million. Responding to these rates of growth, Pfizer's work force started from a minute team of 30 people, and now in the health-care operations alone, it employs approximately 400 people in drug production and marketing in both the human and animal areas. It is currently active in the exportation of finished products to the European Community (EC), which is estimated to represent 26% of Pfizer's local plant production output.

SPECIAL REPORT



*Real value added per employed person

Source: OECD Statistics 1990

Over 400 US Firms Already in Spain

Spain represents both a challenge and opportunity for American companies, both large and small. An investor has easy access to the government and a constructive dialogue on problems is readily accomplished, which is not true of every EC country. There is considerable untapped potential in Spain's autonomous regions and the labor force is abundant and highly skilled, particularly in a sophisticated sector such as pharmaceuticals.

In a macro-perspective, Spain's geographical location between the North American continent, Africa and the rest of Europe is another important advantage. Also, it should be pointed out that the majority of the Latin American nations, including Mexico, Argentina and Chile, see Spain as their investment gateway to Europe

On the micro level, the foreign investment climate in Spain features such attractive conditions as relatively moderate taxes and labor costs among the other Common Market countries. The favorable climate is further tempered by a very liberal policy which imposes practically no obstacles to the remittance of royalties, investment proceeds, invested capital and capital gains. Acquisitions have proceeded at such a pace that foreigners own more than 30% of the industrial investment. This foreign investment activity will undoubtably be stimulated by the ratification of the U.S.-Spain Double Taxation Treaty.

A recent report of the U.S. Department of Commerce ranks Spain as a great trade opportunity. Europeans have understood this and profited from it by expanding their exports and investing in Spain.

To be sure, interest in Spain has never been higher. While economic realities have effected its growth boom somewhat, Spain has an economy that works, but more importantly, an economy hat works today. Medium-sized U.S. corporations would do well to take a close look at Spain as country that can provide attractive conditions for profitable international expansion. In conclusion, Spain has been a successful partnership for Pfizer despite some potential problems for our industry. Ω

Abolition of Barriers in 1992 is a Challenge

The incorporation of Spain into the EC has brought about a process eroding barriers among countries in Europe spurred by the gradual implementation of the single market directives in pharmaceuticals by 1992. The cross-border movement of products and institutions presents a potential problem for the industry in Spain because drugs prices are the lowest in Europe. The need for more regulatory price control and a streamlined approval process to prevent artificially low prices has not been more pressing.

The inadequate intellectual property protection for pharmaceuticals in Spain poses another threat for the industry despite the introduction of product patent protection for chemicals and pharmaceutical drugs slated for 1992. However, this protection will, in practice, only apply to those finished products marketed after the year 2000 due to the long period required to bring a patented product through the development and regulatory approval process.

This lack of protection leads to the proliferation of copies in the market which augments competitive pressures, promotional investments and, potentially, drug consumption. In turn, an increase in the consumption of "copied" drugs impacts the coffers of the social security system while reducing innovators' ability to get a fair return on investment. This could further lead to the possibility that multinational pharmaceutical companies may limit their activity in Spain to that of local distribution and sale centers.

> With foreigners owning more than 30% of the industrial investment in Spain, the country has provided Pfizer with a successful partnership

* * *

Pros and Cons Of U.S. Business Establishments In Europe: A Tax Perspective

SPECIAL REPORT

The downside of using a sales agent as an instrument for market penetration in Europe is that the U.S. exporter may be subject to taxation in the agency's country if the agent constitutes a permanent establishment of the exporter

BY SALVATORE C. VAUDO, JR.

For U.S. companies interested in exporting to Europe, tax advantages can greatly differ depending upon the way a foreign market is penetrated. The following bullet-form summary explains the tax pros and cons for American firms using distributors, sales agents, commissionaires and master distribution base companies.

Looking for a Distributor?

A distributor is a related company in the local market country, generally located where a high tax regime will be in place (e.g. Germany). The distributor will take inventory risk and receivable risk and will require both sales and administrative support systems.

The advantages are fourfold. The distributor is able to present a local face in the local economy. The U.S. exporter has no local permanent establishment because it is merely selling into the country rather than in it. Also, customs value is based on the import transaction value, not resale value into the local economy, if the distributor carries on certain activities. Finally, value added tax (VAT) is the responsibility of the distributor company. In some EC countries the payment of the VAT in importation can actually be deferred.

A definite disadvantage is that the distributor profit share should be greater than that of a mere sales agent because of the difference in activities and the higher costs and risks undertaken by the distributor. An additional consideration is that by using a "contract distributor" whereby the U.S. parent bears all development and marketing penetration costs (i.e. retain marketing intangible in the U.S.), it receives a fixed compensation plus additional bonuses for sales in excess of average. However, this arrangement may not be acceptable by or in many countries.

Sales Agent

A sales agent is a related company whose employees, on a virtually exclusive basis, engage in selling the exporter's products. The exporter pays the agent a commission for concluded sales. Compared to a distributor, the agency relationship involves fewer risks and costs for the agent. In this scenario, the disadvantages seem to outweigh the main advantage which is that a lower degree of profitability is acceptable to local authorities.

The downside of this form of establishment is that the U.S. exporter may be subject to taxation in the agency's country if the agent constitutes a permanent establishment of the exporter. Customs duties are based on the value of the inventory sold to the ultimate customer. However, if the U.S. parent bought the goods from a third party for shipment to the agent, then the customs value of the goods will be based on the sale from the third party.

Also, the sales commission charged by the agent will be included in the customs value of the imported goods. If the local agent does not have the authority to conclude a contract or is not the party deemed to be the seller of record, the group may not be able to effectively penetrate the local market.

Commissionaire

A commissionaire is a special category of commission agent which, by agreement with the principal, acts as a distributor vis-a-vis customers or third parties without disclosing its agency relationship with the related exporter. The exporter bears the risks and the costs of the sales and pays the commissionaire a commission. This arrangement is generally acceptable in a number of countries, particularly civil law countries such as Germany, France, Spain, Netherlands and Belgium.

The benefits with a commissionaire are twofold. Since the exporter assumes virtually all the risks and costs of the sales, the commission payable to the commissionaire can be minimized. Also, under interpretation of most treaties, the exporter undertaking the transaction with the commissionaire will not be deemed to have a permanent establishment in the local market country since the commissionaire contracts in its own name and not in the name of its principal.

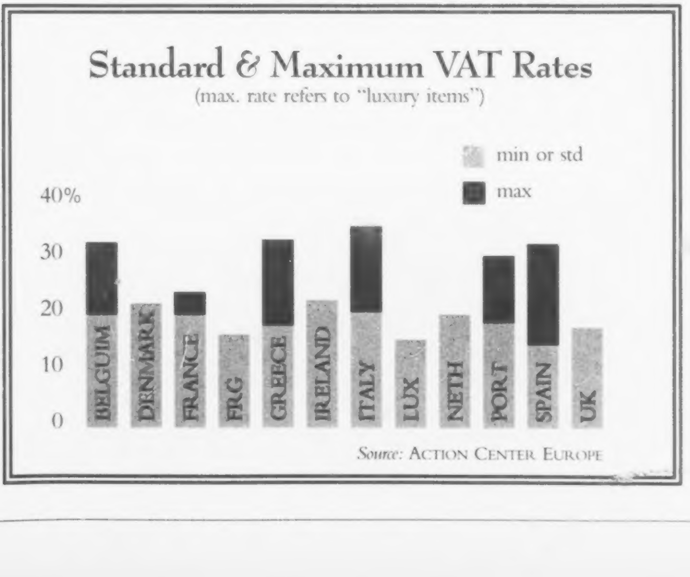
The negative effect of such an arrangement is that when a foreign distributor sales company is already in place, a commissionaire structure may entail a dramatic drop in profits in the local market country which may be challenged by the local tax authorities. Also, customs duties are based on the resale value to the ultimate customer.

Master Distribution Base Company

The U.S. exporter sells to the master distribution company (MDC), most typically with title passing outside the United States in order to achieve foreign source income treatment of the income. The master company warehouses the inventory for distribution and then sells either to or through the related local marketing company under one of the sales agent techniques. The tax planning goal is to maximize the functions preformed in the master distribution company to justify optimizing the amount of profits retained in this company.

Included among the warehousing, distribution and marketing services of the MDC is small repairs, repackaging of the merchandise, handling of advertising and promotion efforts for the European market, providing clients with product and service information and displays, mailings and trade show-related information.

Using an MDC may reduce customs duties if it imports into Europe and warehouses the inventory in Europe before resale to local markets. This is possible because the markup on resale within the EC is not subject to customs duties. Another advantage is that foreign tax exposure may be managed by shifting functions and activities preformed to or from the MDC. The MDC can create a low-taxed source of income which can be helpful for foreign tax credit purposes. In this way, it is possible to maximize the foreign tax credit of the exporter. Ω



Standard & Maximum VAT Rates

(max. rate refers to "luxury items")

Source: ACTION CENTER EUROPE

SALVATORE C. VAUDO JR. *is a CPA and member of Ernst & Young's East Region International Tax Services Group located in Boston, Massachusetts.*

The Day After: Spain's Competitive Advantage in 1993

The argument for sustained or increased foreign investment in Spain can be made by looking at both the government's initiatives in M & A activities and their 1992-inspired legislative reforms

BY JOSE M. BENEYTO

SPECIAL REPORT

As the single European market takes shape, the future of Spain's companies becomes clear: except for a few large industrial holdings and specialized, small but dynamic companies, an increasing number of Spanish operations will be in the hands of foreign companies. The inherently small size of Spanish companies, their lack of technology, their poor distribution network and low presence have forced many Spanish businesses to either sell out to foreign entities or forge joint ventures with them. This trend will continue over the next five years, while the remaining local companies will be concentrated in the industrial portfolios of the large banking groups.

The boom of the past years—and probably still in some years ahead—is clear consequence of this "selling out" of the country. However, the tendency for Spanish business to be increasingly controlled by foreign investors has proven to be, so far, rather positive. This trend has accelerated the country's modernization and liberalization process, speeding up the transition to modern manufacturing, unrestrained competition, rational distribution networks, advanced technology, increased local R&D and innovative financing.

> **Modernized Spanish operations and foreign investment will be largely responsible for economic growth over the next 10 years.**

But, the current "gold rush" through acquisitions is also increasingly going to become a challenge. Although the decisions affecting Spanish firms will mostly be made in other European countries, there is little chance that Spain will lose its manufacturing infrastructure. Spain will be a key country in European operations given its large young market and labor cost advantage. However, the real litmus test for Spain's future competitiveness will come at the end of the 1990's.

The government's policy towards state-owned industry took a significant turn in 1989 when the state's most powerful companies began aggressively to make significant share purchases in key economic sectors. The government started to encourage the restructuring and consolidation of Spain's industrial sectors in order to keep industry in domestic hands. In some cases, foreign interests were sought. The strategy is part of a more global attempt to create Spanish companies that can compete in the single market.

The electricity-supply industry is an example of strong government intervention into an industry's restructuring where the role of foreign investment in the capital base will be minimal. The partially privatized utility company Endesa has acquired a large holding in the private utility company Sevilla de Electricidad.

SPECIAL REPORT

The privatization of Spain's truck manufacturer Enasa revealed the new aggressive approach of state owned industry that aimed to secure foreign capital. In this case, Fiat bought a 60% stake in Enasa from the government with corporate shares rather than cash, providing it with significant control in one of Europe's major truck manufacturers. Iberia Airlines and Inespal, the state's aluminum holding company, have plans to launch a share issue, although a majority will be controlled by the government.

The activities of Spain's state-owned companies can potentially be blocked by the EC Commission if the government tries to interfere in the buying and selling of shares between private shareholders. Thus far, Spanish officials appear to have maintained a neutral position in merger and takeover agreements, although the government's "silent approval" is required in "strategic" situations. As a leading actor in M&A activity, the telecommunications company, Amper (partially owned by the government) moved toward a joint venture with AT&T to participate in AT&T's European capital structure. The central government has also ordered regional authorities to reduce the amount of incentives available for new investments as well as the amount of investment subsidized by the end of the transition period to further avoid any potential "official" interference in future M&A deals.

> **The boom of the past years is a clear consequence of the "selling out" of the country. However, the tendency for Spanish business to be increasingly controlled by foreign investors has proven to be, so far, rather positive.**

* * *

The Reinforcement of the Business Climate Through Legislative Reforms

The future development of M & A activity is going to be facilitated by the new corporate and competition legislation which became fully effective on July 27, 1990. The reform adapts Spain's corporate laws to the EC directives. Spanish companies will be required to present audited accounts in standard accounting form and a management report giving complete information about the company's evolution. Companies closing accounting years after June, 30 1990 are required to submit accounts to a certified auditor. Audited accounts must then be submitted to the Mercantile Register which will be open to the general public.

In July 1989, new competition legislation was adopted that replaced a 1963 law and integrates the EC competition directives. This new law aims to accelerate the judicial proceedings in anti-trust cases and allows the Competition court to issue speedier injunctions and impose fines directly without waiting for the government's decree. The EC will continue to put pressure on the Spanish authorities to pay more attention to possible antitrust infractions and wide spread cartels. As a result, the government office in charge of inspecting competition violations, the Directorate General of Competition (DGDC), will increasingly upgrade its inspection process over the forecast period. Up to now the DGDC has concentrated mostly on collective price-fixing and has filed complaints against domestic banks, daily newspaper companies and a computer equipment distributor.

The DGDC is expected to take a tougher stance and crack down on the many industrial sectors that meet regularly to fix prices and divide the market. If the DGDC does not do an effective job of enforcing competition, legislation is expected to increase. Current penalties are both light and rare. Spain's consumer groups will play a more important role in ensuring a more competitive business environment. Consumer groups, led by the Union of Spanish Consumers, have rallied against the fixing of commissions in the banking sector and the pharmacies' monopoly on the sale of special milk for infants.

A new administrative regulation concerning foreign investments entered into force in February 4, 1990. "Direct investment" is defined as the ownership or acquisition of 20% of the capital of a Spanish company, or else "the enjoyment of direct of indirect representation on the board of directors." In the case of companies listed on the stock exchange, foreign shareholders are not taken into account for administrative verification purposes unless they exceed 5% of the capital of the company, or although with less than 5%, the foreign investor has a direct or indirect representation on the board of directors. According to the new regulation, it is possible to invest in Spain without requiring administrative permission in, among other, any of the following circumstances:

- Direct supply to a Spanish company of foreign capital equipment, technological and management know-how, patents and licenses
- Grants of contribution to restore the new asset balance of a subsidiary in Spain
- Direct investment of an amount less or equal to 25 million pesetas
- Portfolio investments or shares of Spanish companies not listed on the exchange but at fixed prices
- Participation in Collective Investment Funds
- Contracting of financial and commodity futures and options by non-residents

The new regulation follows in the line of reducing restrictions on foreign investment. It shows that the tolerant attitude of the government towards foreign acquisitions—exemplified by the Kuwaiti Investment Office's acquisitions in the chemical and paper sectors and by the foreign investment in Spain's medium-sized food and beverage companies—will not be changed by the "new strategy". In fact, to strengthen what is left of Spanish-owned industry, the government intends to limit itself to certain public companies and to encourage the banking sector to consolidate its industrial holdings.

As of January 1990, there were 134 EC directives in Spain pending transfer to national legislation after the deadline fixed by the European Commission for their implementation had passed. Spain was required to include 1,077 directives in national legislation following its joining the EC in January 1986. Of these, 235 are still pending legal transfer, with 134 having exceeded the time limit set by the European bodies. Most of them are in the environment, social and product liability sectors.

Some of the costs associated with a tougher environmental legislation will also only be perceived much later than in the other European countries. Labor costs are still lower on average than in the EC. Much of the implementation of the social and product liabilities legislation of the EC will be phased out. That means that for a while Spain can still enjoy all the benefits of EC membership without having to bear all of its burdens. For example, the new draft directive for a single license in the non-life insurance sector.

As labor costs in Spain increase slightly, the high productivity rates in the rest of Europe will level out and experience a drop in unit cost. Spain's "competitiveness pact" is expected to ensure real increases in income and overall growth in economic productivity. Indeed, the "day after" December 31, 1992 will not be a shock, but it will certainly improve some of Spain's competitive advantages for foreign investments. Ω

JOSE M. BENEYTO, *a former civil servant of the European Community, is currently a practicing attorney in Madrid and New York. He is the author of several books and articles on EC law and corporate finance. He recently completed a two year term as a Fellow with the Center of European Studies at Harvard University.*

At a Glance: Investment Laws

FORMS OF INVESTMENT	APPLICABLE REGIME	PROCEDURES
I. DIRECT ·20% Participation ·Formation of Branch or Permanent Establishment ·Loans > 5 yrs.	Liberalized ·up to 25 million pesatas ·foreign inv't > 50% of share capital Prior Verification if > 50% share capital if branch or loan	Notification of Foreign Investment Registry: TE 1, or Application for Verification to DGTE : TE 13 A
II. PORTFOLIO ·Acquisition of under 20% of shares ·Acquisition of Public Funds, Private ·Fixed Income Securities, or Interest in Investment entities ·Quoted Negotiable Instruments	All Liberalized	Notification to Foreign Investment Registry: TE 1
III. REAL ESTATE DESTINED FOR: ·Commercial Use ·Rural estate, plots of urban real property, and more than 3 units in condominium plot	"Direct" rules apply for commercial Prior Verification	Other than commercial use, Application for Verification to DGTE : TE 13 B Notification to Foreign Investment Registry : TE 7
IV. GENERAL RULES a. Sensitive ·National Security ·Gambling ·TV, Radio ·Air Transport b. Public Investors ·Governments ·Public Entities c. Contributions in domestic capital, foreign capital not with techn. assistance, patents foreign currency or manufacturing licenses	Prior Authorization from Council of Ministers Prior Authorization Prior Authorization	For Direct Investment Application: TE 13A or Notification:TE 1 For Real Property Application: TE 13B or Notification: TE 7

Prepared by Marietta Colera Garzon

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[Hispanic Market]

The Choice of Language When Advertising to Hispanics

Based on their recent study, the authors explain that the key in advertising to English-dominant Hispanics is to create English copy that reflects Hispanic values and culture

BY SIGFREDO HERNANDEZ PH.D. AND LARRY NEWMAN PH.D.

The prevalent view among advertisers and advertising agencies serving the Hispanic market is that it is best to advertise in Spanish. However a "Spanish-only" advertising policy is based on an oversimplification of the market. Ultimately, the choice of language in advertising to Hispanics depends on the target audience.

An important concept in understanding how to best advertise to the Hispanic market in the United States is determining the target's audience's level of acculturation. Acculturation is the process of learning a culture that is different from the one in which a person was raised. Thus, Hispanics that are high in acculturation tend to be younger, higher in socioeconomic status, U.S. born, and more English-dominant than Hispanics that are low in acculturation.

Many studies have noted significant differences between low-in-acculturation and high-in-acculturation Hispanics in the media language used or preferred, with the former favoring Spanish and the latter English. These differences have been consistently reported for all media, and show that high-in-acculturation Hispanics are more likely to use English language media than those who are low in acculturation.

Audience profile studies reveal that viewers of Spanish language television tend to be lower in acculturation and socio-economic status than those who watch English language stations. A survey conducted by O'Guinn, Faber and Meyer aimed at producing a profile of Mexican Americans living in San Antonio concluded that individuals who prefer Spanish-Language television over English-Language television were a less acculturated audience. Furthermore, those Hispanics who prefer Spanish-language television tend to prefer to watch television news in Spanish, attend Spanish movies, prefer to read in Spanish, listen to the radio in the afternoon and, listen to the radio at home. They are less likely than other Hispanics to be born in the U.S., buy through the mail, and own a range and a telephone. These two last variables suggest an audience of less economic means, an interpretation consistent with a low level of acculturation.

The choice of language in print media is more difficult to determine because not all markets with a high Hispanic concentration offer an untapped market for Spanish-language print. For instance, San Antonio, the fourth largest Hispanic market in the country with a population of approximately two million, of which nearly one million (50%) are Hispanics, cannot support a Spanish-language newspaper. The reason is that most of San Antonio Hispanics are second and third generation residents. Among them, 17.7% are English-only speakers, 54.3% are bilingual, and 28% only speak Spanish. According to Strategy Research Corporation, two thirds of San Antonio Hispanics have resided in the U.S. for 30 years or more. Such lengthy residence again suggests high levels of acculturation in this market.

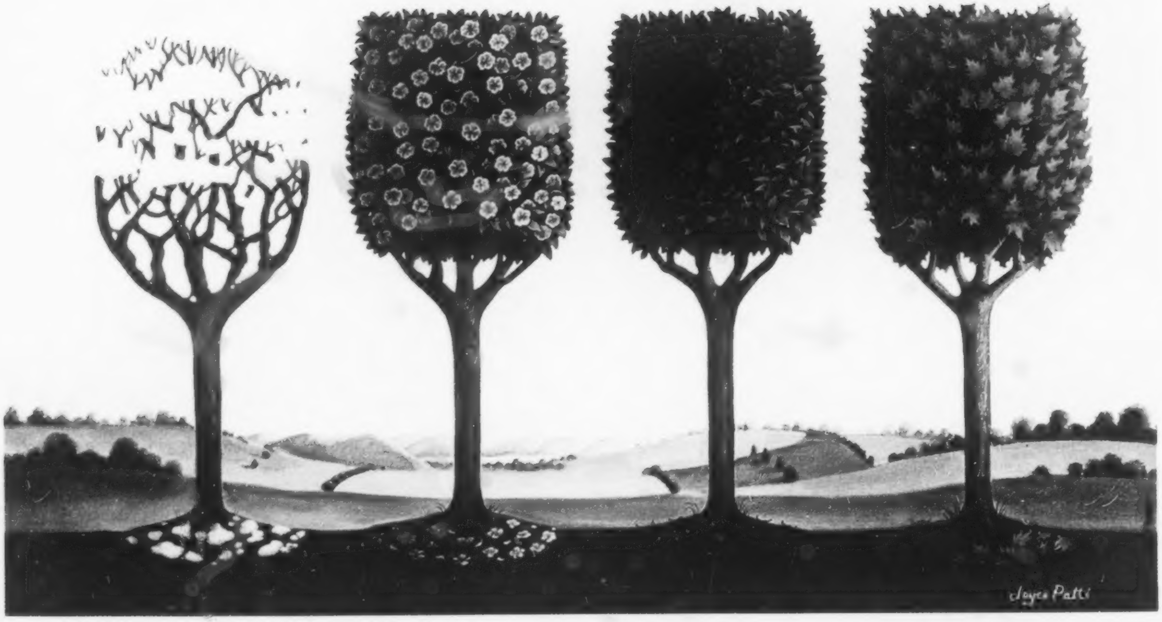
> As the fourth largest Hispanic Market in the country, San Antonio cannot support a Spanish-language newspaper

HIGH GROWTH IN SPANISH-SPEAKING HISPANIC POPULATION

The growth for the Hispanic population by language fluency is assumed to be the key in the future potential of the English-language and Spanish-language media segments. Strategy Research Corporation reported in 1989 that among U.S. Hispanic adults, Spanish language skills grew and English language skills declined for the 1987-1989 period. Hispanic adults who reported speaking Spanish "well" or "very well" increased from 86% to 90% of all Hispanics during the two-year period, while those who reported speaking English "well" or "very well" decreased from 43% in 1987 to 36% in 1989.

Strategy Research attributes this strengthening of the Spanish language to the rapid increase in new immigration in recent years. Most of the growth in the Hispanic population in the last 8 years has come from new immigration, estimated to be approximately 5.6 million individuals or 62% of the net increase in the population during the 1980-1988 period. This trend is

Drink in the glorious colors of Spain.
They're always in season.



A trip through the vast countryside of Spain yields a seemingly unending harvest of diverse wines. Perhaps it is because Spain has more territory planted to vines than any other country in the world. Or because the wines produced in Spain today are the result of 3,000 years of winemaking history. Whatever the reason, Spain is the world's third largest producer of wines, and Europe's largest producer of brandies. A feat not easily accomplished, but Spain boasts qualities no other country can.

It is this rich history coupled with a uniquely varied geography that allows Spain its remarkable array of wine regions as well as wine types. And you can be sure these precious natural resources are well used: 31 D.O.'s (Denominaciones de Origen) and one D.E. (Denominación Específica) keep strict controls to maintain superior quality in every corner of this wine producing land. So any open-minded wine drinker will discover sherries, reds, whites, rosés, sparkling Cavas, liqueurs and brandies of every characteristic.

Whatever the occasion, whatever the season, every palate is sure to find a palette of favorite colors, in the wines of Spain.

Wines *of* Spain

Wines of Spain, Commercial Office of Spain, 405 Lexington Avenue, New York, NY 10174 (212) 661-4814

expected to continue.

Two forces are at play regarding the future growth of Hispanic language segments. One force is the almost inevitable acculturation process that eventually results in the adoption of English as a first language. The other force, fueled by immigration and other factors, appears to be the strengthening of Hispanic heritage values. It is not clear whether the English-language or the Spanish-language group will grow in absolute numbers. The implication is that advertisers to the Hispanic market need to pay increasing attention to both segments and will have to think more carefully about their choice of Spanish-language vs. English-language media.

Main Research Conclusions

1) It is more effective to advertise to Hispanics in their dominant language, whether this is Spanish or English.
2) High-in-acculturation Hispanics are more likely to use English-language media than those who are low in acculturation.
3) Advertising agencies tend to perceive that English-language media plays a secondary role in their clients' efforts to reach Hispanic consumers.
4) Most advertisers believe that is best to advertise to Hispanics in Spanish.
5) Growth projections for the English-dominant and English-only Hispanic groups suggest an increase in market potential for English language media.
6) The key in designing effective ads for English-dominant Hispanics is to use English copy that reflects Hispanic values and culture which reinforces ethnic identity.

THE PERCEIVED ROLE OF SPANISH vs.ENGLISH LANGUAGE ADVERTISING

Despite the importance of the dominant language and the level of acculturation on advertising effectiveness, a large number of marketers continue to believe that they should advertise to Hispanics in Spanish. Although, it is reasonable to think that effective advertising to Hispanics should have a positive emotional effect on the audience, the use of Spanish-language ads may not be the most desirable way of achieving such effect with high-in-acculturation, English-dominant Hispanics. This segment understands English better that Spanish, and seems to prefer the use of English-language media. Spanish ads aimed at this segment in the English-language media may tend to exclude the non-Hispanic audience.

A question arises as to how these perceptions that "Spanish is best" were formed and perpetuated among advertisers to the Hispanic market. It appears that both Hispanic advertising agencies and the Spanish media have played an important role in this regard. It is in the interest of the Hispanic agencies and the Spanish media to convince advertisers that it is best to advertise in Spanish. Their competence, compared to general market agencies and the English media respectively, is to a large extent tied to their Spanish language capabilities. Thus, at least in some measure, supply could be creating its own demand.

Advertising agencies feel that English media plays a secondary role in reaching Hispanic consumers

Many advertising agencies perceive that English-language media play a secondary role in their clients efforts to reach Hispanic consumers. The primary reason for this belief is because it seems that client companies view an advertising budget of $1 million as the maximum needed to promote a brand effectively in the market (Fitch 1990). Clients are likely to cover Spanish-language consumers first, and then, if the Hispanic ad budget is large enough, an attempt might be made to cover English-dominant Hispanics through English-language media. The implication is that only large Hispanic market client companies are willing to extend their budgets to add English-language advertising.

Hispanics define themselves by other cultural symbols in addition to language. Instead of Spanish advertisements, other cultural symbols could be used in order to achieve a strong emotional effect on English-dominant, high-in-acculturation Hispanics.

Because English-dominant Hispanics tend to feel strongly about their ethnicity, the key to effective ads is to create English copy that reflects Hispanic values and culture which tend to reinforce ethnic identity. English media needs to be used with an "ethnicized message". Cultural elements such as Hispanic food, music, holidays, customs, and cultural values such as the importance of the family, friendships and hospitality could be emphasized in the advertising copy. It is also important not to alienate the non-Hispanic audience. For instance, in a recent television commercial for McDonald's, the copy pictured a celebration that looked like a simple birthday party to most viewers. But many of the Hispanic viewers knew it was a "quincianera", a traditional celebration of a 15 year old girl's coming of age.

Furthermore, Hispanic terms and expressions such as "barrio, bodega, fiesta, pa'lante, qué pasa?, gracias" could be combined with the English copy to give it an ethnic flavor without the non-Hispanic audience feeling excluded. Even the Hispanic pronunciation of an advertiser with a Spanish name such as "Cafe Bustelo" or "Baño Popular" could provide the necessary ethnic meaning.

The trend that has been called "retroacculturation" among second and latter generation Hispanics indicates that this audience, predominantly English-dominant and high in acculturation, has a strong need to learn about their cultural heritage. They want to learn about Hispanic folklore, history, language and values. Advertisers could win the trust and loyalty of this audience by supporting cultural events and organizing cultural education programs directed at satisfying their need to learn more about their Hispanic heritage. Ω

DRS. HERNANDEZ AND NEWMAN *are Assistant and Associate Professors of Marketing, respectively, at Rider College in Lawrenceville , New Jersey. For further information about the Hispanic market and its advertising implications, please contact their offices at tel: (609) 895-5509.*

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Names in the News

Juan Antonio Samaranch

A native of Barcelona, Mr Joan Samaranch is the President of the CaixaBank C.G.I.B., known as the "Caixa". This savings bank is the largest in Spain in terms of deposits and ranks among the largest in Europe. A graduate of the Instituto Superior de Estudios de la Empresa in Barcelona, Mr. Samaranch is currently the President of the International Olympic Committee.

Andrew Young

Former Atlanta, Georgia Mayor Andrew Young is Chairman of the Board of Directors of the Atlanta Organizing Committee (AOC) and along with AOC President Billy Payne, led the city in its bid to host the 1996 Olympic Games. A native of New Orleans, Louisiana, Mr. Young is a graduate of Howard College and the Hartford Theological Seminary.

Miguel Aguiló

A native of Madrid, Mr. Miguel Aguiló has recently presented the new diversified organizational structure of the Iberia Group of Spain among whose holdings includes Iberia Airlines and Iberia Cargo. Mr. Aguiló is currently President of Iberia Group and Aviaco. He has been nominated to various posts in both the public and private sectors and holds a Directorship position at INI.

Victoriano Muñoz

As President of Acerinox, Spain's largest private steel and iron ore manufacturer, Mr. Muñoz has been a leading force in the recent joint venture between its United States affiliate, Armco Inc., and North American Stainless. With an initial investment of $252 million and the creation of 150 jobs, the deal seeks to build a new factory in Kentucky that will manufacture flat steel products.

Banco Bilbao Vizcaya

Exchange: NYSE
Symbol: BBV

ADR Share Price Results ($)
Third Quarter 1990

High	36.75
Low	24.75
Close(9/29)	26.00

Net profit after taxes for Banco Bilbao Vizcaya (BBV) increased 10.3% in third quarter 1990 to 73.8 billion pesetas from 66.9 billion pesetas. This amount corresponded to a net profit per share of 319.3 pesetas or a 15.9% increase over same period for 1989 and confirms BBV's position as the largest Spanish financial group.

A 13.7% growth in third quarter customer deposits resulted from the launching of the "Cuenta Plus", a high yield current account, and the "Libreton", a savings account in March 1990. Also, cash flow for the bank grew 16.5% over the last quarter as a result of the restraint on operating costs and capital gains from both recurrent items and from asset disposals after merger rationalization between Banco Bilbao and Banco Vizcaya.

BBV's securities firm, Interactivos, has recently opened an office in London to prepare for its gradual penetration into the British stock market. The opening reflects BBV's desire to capture and channel the flow of institutional investments from this and other foreign markets, since many of the investments made by non-residents in Spain come via London.

Banco Central de Chile and BBV have reached a settlement to the dispute between the two institutions in fall 1990. The Chilean Bank has withdrawn its legal claim against BBV, on which it had imposed an administrative penalty of $500,000 for errors committed with the investment authorization.

Banco Central

Exchange: NYSE
Symbol: BCM

ADR Share Price Results ($)
Third Quarter 1990

High	25.25
Low	21.62
Close(9/29)	21.62

Banco Central (BC) reported a 17% increase in consolidated pretax profit for the first nine months ending September 30, 1990 to 70.7 billion pesetas from 60.5 billion pesetas for the same period in 1989. Client deposits with banks in the Banco Central group stood at 3.2 trillion pesetas, up 1.9% from a year earlier. BC said the parent's bank's pretax profit rose 17% to 46.1 billion pesetas from 39.3 billion pesetas. Net interest income rose 16% to 115 billion pesetas and earnings from loans grew 15% to 299 billion pesetas, while financing costs rose 14% to 184 billion pesetas.

During the third quarter 1990, the BC Board of Directors declared dividends as follows: 110 pesetas, or $1.01 a share, representing an increase of 15.8% for the same period last year. In addition, an interim cash dividend was paid in October, on account of the 1990 results in the amount of 100 pesetas, showing an increase of 11% over the period last year.

The bank decided not to compete for depositors by offering high-interest accounts and so did not experience a large increase in financing costs as many other Spanish banks have. As of September 30, 1990, this strategy has allowed the bank to increase its financial margin by more than 16% while being able to increase its total deposits by 1.9%. These factors contributed to the strong nine months earnings performance, allowing Banco Central's stock to outperform the S&P 500 index.

Banco Santander

Exchange: NYSE
Symbol: STD

ADR Share Price Results ($)
Third Quarter 1990

High	54.50
Low	38.25
Close(9/29)	38.25

Banco Santander registered a operating profit of 88.5 billion pesetas for the first nine months of 1990, an increase of 10.7% over the first three quarters of 1989. Net income for the period increased 15.4% to 53.9 billion pesetas (or 1.49% of average total assets), and the financial margin grew 10.87%. Operating costs rose 27.3% by September 1990, reaching 2.4% of average total assets. The higher expenses were primarily due to bank's strong growth.

The significant provisions made in previous periods, covering the requirements for pensions funds and credit risk, enabled the provisions for this year to be lower than 1989. Also, the first nine months of the year, the bank placed $700 million of subordinated perpetual bonds. This resulted ina capital adequacy ratio of 14% for the Banco Santander Group as a whole.

On October 8, 1990, an agreement was concluded with Crédit Lyonnais for the sale of Banco Santander's controlling interest in Banco Commercial Español. This asset disposal realized 41.5 billion and will produce a profit of 26 billion pesetas to be included in fourth quarter results.

Santander Puerto Rico bought Caguas Central Federal Savings Bank, whose gross assets amounted to more than $1.6 billion at the time of purchase. The transaction made Santander Puerto Rico the second largest financial institution in the Commonwealth of Puerto Rico, with an 18% market share.

[On the Exchange]

Endesa

Exchange: NYSE
Symbol: ELE

ADR Share Price Results ($)
Third Quarter 1990

High	25.00
Low	18.25
Close(9/29)	18.25

Endesa's reported consolidated results for the three months ended September 30, 1990 show earnings per share of 75.54 pesetas ($0.8 per ADR). This corresponds to a gain of 13.5% over the 65.68 pesetas ($0.67 per ADR) registered for the same period in 1989. Consolidated revenues during the period were 146 trillion pesetas ($1.49 billion), a 6% rise over third quarter 1989.

A combination of low demand and high hydro production are the most important factors driving the results this year. Spanish electric demand increased during the first nine months of 1990 by 2.9% compared with 7.2% for the same period in 1989. High rainfall allowed a hydro production 59.5% higher that the year before. However, the behavior of consumption in the fourth quarter of 1989 and expectations of demand growth for the last three months of 1990, raise the company's estimate of total demand by the end of 1990 to 3.3%.

The oil crisis has had very little direct effect on the Spanish electric industry (at time of publication). Electricity produced by oil-fired plants so far this year represents only 1.2% of total output, with a reduction of 38% in respect to same period last year. Central Dispatch (Redesa) estimates that, with oil prices stable at their mid-October level, and no important changes in the fuel mix, increased costs for the electricity industry in Spain in 1990, stemming from higher oil prices, will be only $9 million.

Telefónica

Exchange: NYSE
Symbol: TEF

ADR Share Price Results ($)
Third Quarter 1990

High	29.37
Low	23.12
Close(9/29)	23.62

Over the first three quarters of 1990, net income for Telefónica increased 18.5% over the same period for 1989 to 56.5 billion pesetas. Earnings per share went up to 60.9 pesetas, showing an 18% increase, and cash flow per share rose 13.3% to 305.3 pesetas. The final dividend for 1989 fiscal year of 30 pesetas gross per share was paid on July 30, 1990.

Revenue from operations increased 19% over these past nine months to 613 billion pesetas. Operating expenses went up to 256.9 billion, 22.1% higher than the same period for 1989. This trend is due to the high investment activity that has taken place since the beginning of the year which, in addition to fixed assets, totaled 449.3 billion pesetas (or 35% more than same period for 1989).

The company's investment surge reflects a strong growth increase of 9.6% in the number of new line applications attended to, corresponding to a significant reduction in the waiting list for phone line installations of 22.3%.

Telefónica and AT&T have reached an agreement in which Telefónica will exchange its 20% holding in AT&T Microelectrónica España for a 6% equity share in AT&T Network Systems International. AT&T NSI is the management company for the development, manufacturing and marketing of public telecommunications equipment in Europe.

Telefónica has also announced plans to offer international video conference services.

The First Iberian Fund, Inc.

Exchange: ASE
Symbol: IBF

	NAV per Share ($)	Price per Share ($)
7/27	11.64	11.48
8/31	10.45	11.64
9/28	8.80	7.13

Portfolio Composition (9/30/90)

Equity Securities	74%
Fixed Income Securities	22%
Short-Term Investments	4%

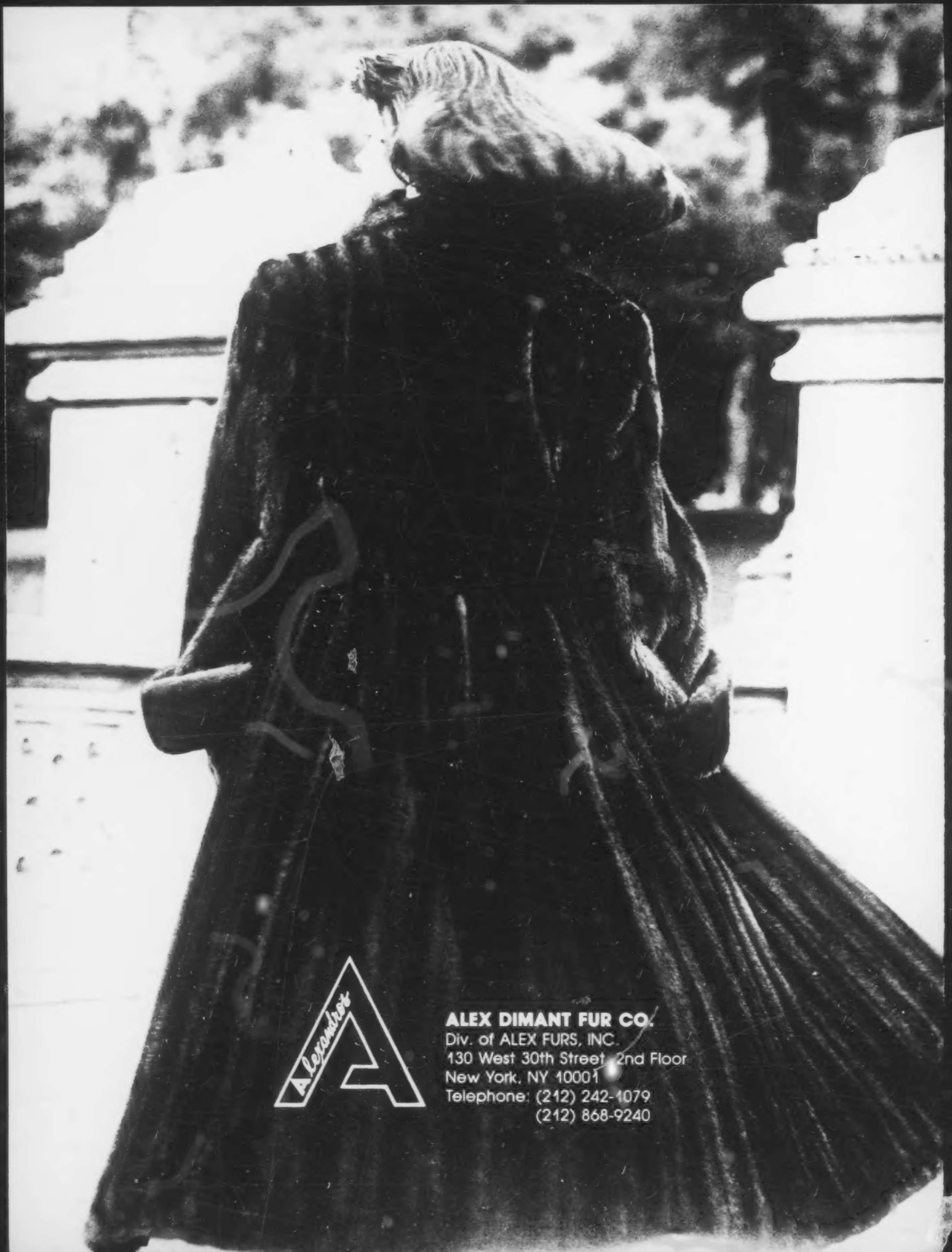
Geographical Composition (9/30/90)

Spain	95%
Portugal	4%
United States	1%

A diversified-closed end fund, the First Iberian Fund has clearly outperformed the Spanish and Portuguese stock market indexes since January. While the Spanish stock exchange dropped 21.3% through September 15, 1990, the Fund's Spanish assets have declined 12.6%. In Portugal, whereas the index has 22.3% of its value, the Fund's Portuguese assets have declined in value by 21%.

Since August 2, the Spanish Market's drop has been second only to Japan on an international basis.It dropped 21.3% over the first nine months of 1990 The Spanish market is very clearly oversold, even discounting a lengthy Gulf crisis.

Two factors are related to the Fund's outperformance during this downturn. First, the Fund is conservative and well diversified with more than 20% in high yields. Second, the Fund adopted a defensive policy in February 1990, resulting in less than a 80% investment in equities.



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Mid-Sized U.S. Businesses Have Mixed Views of Europe 1992

Many small and mid-size companies already are doing business in Europe, but perceived barriers, and fear of the unknown can be intimidating challenges for others

BY ACTION CENTER EUROPE

Many U.S. manufacturing concerns already have set sail for Europe to take advantage of the potential lucrative opportunities Europe 1992 offers, but American service organizations may be missing the boat. That's just one of the findings of a just-released survey of mid-sized American firms conducted by Action Center Europe (ACE), the Europe 1992-oriented joint consulting effort of Horwath International, a network of international accounting and business consulting firms throughout the world.

According to Jane Sarasohn-Kahn, Director of ACE, 48% of the manufacturing firms surveyed said they were likely to increase or establish business operations in European Community (EC) countries. In contrast, only 17% of mid-sized U.S. service organizations indicated a desire to expand into the unified market of 1992.

But these figures tend to disguise what will likely be "a boom" in the location and expansion of U.S. service firms in Europe.

"We expect to see a tremendous European demand for a variety of services which many U.S. firms should be well-positioned to provide," Sarasohn-Kahn said. High on the demand list will be wholesale and retail trade services, lodging facilities, health care, leisure time services, leasing services, personnel agencies, restaurants, telecommunications services, and professional services such as legal, accounting, and insurance services.

This demand for services will be driven by a number of key factors. One of the most important factors is the growth of consumer-driven markets in Europe, fueled by an increasingly informed buying population, and a growing number of choices for a wide variety of retail products, as well as health care and other services.

"Part of this growth is tied to the elimination of intra-European tariffs and duties," she said. With a freer movement of goods and services, there is greater access to a wider array of goods. This, in turn, means more competition." Another factor is the growing number of cross-border business. This will also heighten demand for legal, accounting and even advertising and promotion services.

According to Sarasohn-Kahn, franchising will be a key growth strategy for many U.S. service companies in the Europe of 1992. She identified a number of personal service-type businesses offering franchise possibilities, including laundry and dry cleaners, photography, diet centers, video rentals, auto repair centers, clothing rentals, fitness centers, and beauty and barber shops.

> Franchising will be a key growth strategy for many U.S. service companies in Europe

Franchising is a fast way to ensure a standard and a proliferation of a product. And with the decline of tariffs and the rise in cross-border business, there is a greater demand for services that can take a more pan-European approach. To date, most small to mid-sized European businesses in those fields tend to be very localized, "Mom and Pop" operations that lack the financial strength and marketing advantages a U.S. franchise operation can bring to the table. Given these advantages, and American franchisors' experience in expanding into new markets, this route would seem to be an optimum approach for U.S. businesses interested in the Europe of 1992.

SOME MIDDLE-MARKET FIRMS ALREADY "OVER THERE"

Still, not every U.S. business will be starting from ground zero. In fact, more than a third of mid-sized U. S. firms surveyed by Action Center Europe are currently doing business within or anticipate expanding business in at least one EC member country.

The greatest percent of company respondents indicated that they are currently doing business in the United Kingdom (64%), with France (62%) and West Germany (58%) following close behind. Survey respondents also identified those three countries as the most likely areas for new and/or increased business. The U.K. was cited by 31%, West Germany by 14%; and France by 11%.

According to Sarasohn-Kahn, a relatively small percentage for mid-market

CEO's recognize that Greece, Ireland and Portugal are EC member states. "That's significant, because these latter nations may present substantial opportunities for the mid-market business, given their favorable tax incentive packages and, in Ireland's case, strong cultural similarities."

According to Sarasohn-Kahn, Ireland has an aggressive industrial development authority, and has shown a strong willingness to work with U.S. companies interested in relocation. Furthermore, because of EC regulations, Ireland will be able to offer an assortment of development assistance funds, tax packages, and business locations services at least until the year 2000.

But a number of U.S.-based financial institutions' back office operations (insurance paper processing, check clearing, etc.) already have moved there. "For these types of service organizations, Ireland has become a low-cost provider of high-level data processing services. For the financial institutions, this means a decreased cost of operations, high value-added technology, better service for brokers, and faster turnaround."

"U.S.-based manufacturing concerns, meanwhile, may find they have a friend in Portugal," she noted. Like Ireland, Portugal also has developed a series of tax packages designed to stimulate foreign investment and business development. As a result, Portugal may well become a preferred low-cost manufacturing site for U.S. companies looking to expand into Europe.

EUROPEAN EXPANSION: BARRIERS OR BRIDGES?

Still, despite the widespread interest which Europe 1992 has achieved in the U.S. business community, the ACE survey unveiled a variety of perceived barriers to entry in the European business community which U.S. firms feel will be difficult to overcome. Heading the list of concerns are government regulations/legal problems, culture/custom differences, language barriers and overcome increased competition.

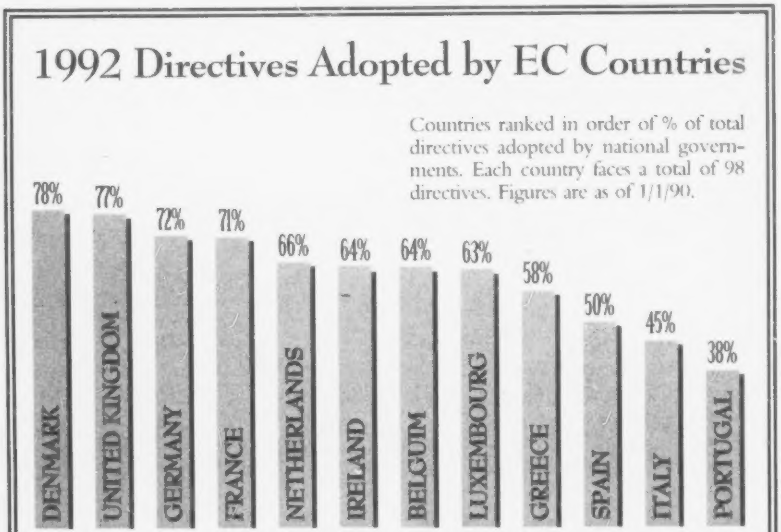
> **Heading the list of barriers to Common Market entry are government regulations, cultural differences and increased competition**

"EC '92's objective is to clear up a lot of the confusion by developing a pan-European market, that will break down the legal, fiscal and technical barriers," she explained. "Business should be more easily done in a post-1922 world." As for differences in culture and customs, there are cultural differences in every market—even in the U.S., which contains such culturally distinct markets as Boston, Houston, and Miami.

"American businesses should be well-suited to a pan-European market because they are accustomed to doing work in a pan-U.S. market," she said. "American firms already acknowledge that cultural differences have to be recognized in terms of developing a marketing effort. They are not difficult to overcome, if you have carefully selected the right management team."

One way to begin to overcome these differences is to work with a local company or individual. "If you have an ally who is a foreign company, that company is likely to be aware already of legal and regulatory requirements," Sarasohn-Kahn explained. "And there are other potential advantages—such as the fact that its business professionals are locals who are assimilated into the local culture, who are probably bilingual, and who understand local market issues."

"The moral of the story is that competition in Europe tends to be very localized, and very fragmented," she said. "But that competition can also become an ally. That might mean a merger, acquisition, joint venture, or some other type of strategic business alliance." Such agreements with local companies—either in the same or a complementary business—can be a major help to American companies considering establishing business operations in the Common Market. The arrangement might be as simple as an exchange of customer lists, or as formal as a research and development agreement for a proprietary product. "Regardless of the strategic alliance vehicle, it breeds a relationship and commitment to new markets. When you have a partner who understands them, he or she can help you enter more quickly and avoid the pitfalls inherent in the local market. Thus, for small to medium-sized firms, strategic alliances can be very advantageous." Ω



1992 Directives Adopted by EC Countries

Countries ranked in order of % of total directives adopted by national governments. Each country faces a total of 98 directives. Figures are as of 1/1/90.

Source: ACTION CENTER EUROPE

ACTION CENTER EUROPE *is a 1992-inspired program of Horwath International, a network of affiliated accounting and business consulting companies operating throughout the world. Action Center Europe provides a toll-free number to help executives of mid-sized firms begin developing strategies to position their firms to take advantage of opportunities in Europe: (800) -283-1992.*

Inaugural Luncheon of EACC Addresses Eastern Europe

The first European-American Chamber of Commerce (EACC) luncheon in November 1990 inaugurated the beginning of the efforts of the eleven bi-national Chambers of Commerce to collectively and individually participate in a balanced discussion on economic relations between the United States and Europe. The occasion was marked by a provocative speech by Mr. Otto Wolff von Amerongen, Chairman of the German East-West Trade Committee, who addressed "Opportunities and Limitations of Investment and Trade with Eastern Europe".

Before the podium was turned over to Mr. von Amerongen, Mr. Serge Bellanger, President of the French-American Chamber of Commerce, commented that the EACC is a "long overdue project" and that the eleven bi-national Chambers of Commerce including the Spain-USA Chamber "are confident that the EACC will greatly contribute to the fostering of US-EC trade at large by expressing a united voice for major US and EC multinational corporations." Mr. Bellanger stated that the EACC's operational structure will be implemented early in 1991.

Known as "Mr. East-West Business," Mr. von Amerongen spoke about the importance for all OECD nations to support the democratic revolutions that have occurred in Eastern Europe. The tasks of restructuring Eastern Europe requires international capital, international know-how, and international products. Acknowledging the reservations expressed in the international press about German dominance in East Germany, he claimed that the adjustment there is so great that the tasks involved can not be mastered by one economic power alone. Ω

L to R: Ricardo Jové, Otto Wolff von Amerongen and Serge Bellanger.

A New Era in European Telecommunications

EC member states have received formal notification of two directives which mark the beginning of a true single market in the telecommunications sector. The two directives are related. The Open Network Framework Provision (ONP) directive is designed to facilitate access of private companies to the public networks and certain public telecommunications services. This makes possible the provision of pan-European services previously hampered by the absence of harmonized technical interfaces, divergent conditions of use or discriminatory tariff principles. The second directive concerns competition in the Markets for Telecommunications Services Directive (dubbed the Article 90 directive because it is based on that article in the E.E.C. Treaty) establishes the right for independent undertakings to offer new services on the telecommunications network. The thrust of the measure is to abolish the national monopolies in the field of telecommunications services, except for voice telephony and control of the basic network. (see "Article 90 Strikes in Spain" in THE BUSINESS LINK Fall 1990).

US Business Bullish on the "New Europe"

A recent KPMG Peat Marwick survey polled 700 top U.S. executives on their attitudes and behavior vis-a-vis the "New Europe" (defined as the EC, EFTA, Eastern Europe and the Soviet Union), revealing that 65% of the companies surveyed plan to expand or have expanded their production or service capacity in Europe. In addition, 58% plan to merge, acquire or form a joint venture with a European partner (or have already done so), and nearly half plan to change or have already changed their distribution arrangements. Larger companies, particularly those in high tech and manufacturing, are the most active.

US Businesses Unprepared for 1992

In another recent but somewhat different survey by Market Access Europe SA, U.S. CEO's of non-Fortune 500 companies admit to a shortage of understanding and information vis-a-vis the single market measures affecting their businesses. Although 70% of the CEOs polled believe U.S. corporations do either an outstanding, good or adequate job of defending their interests, 51% maintain that their own company's res-ponse to EC developments has been poor or very poor. Further, 89% of the respondents judge their company's knowledge of the single market legislation affecting their businesses as insufficient. Over the last 12 months an astonishing 64% took no action whatsoever concerning the EC, while only 17% secured literature or data, only 15% modified their business plan, 5% sent a delegation and 3% hired consultants. Perhaps for historical reasons, U.S. small business remains firmly fixed on the domestic market as 57% of all participants believe that the best prospects for their businesses lie in the United States.

Green Paper on Standards Released

In order for European firms to exploit the economies of scale resulting from the 1992 single market, the European Commission believes an intensified effort to prepare European standards is needed. Hence, the Commission has sent managers of European industry a newly adopted Green Paper on standardization with this crucial message: make standardization a central element of your 1992 strategies. In addition, the Commission has put forward some priorities for national and European standards bodies including more efficient methods to reduce preparation time which, at present, averages three years. Ω

SOURCE: EUROCOM

Principal Forms of Organization For Foreign Banks in New York

For foreign banks looking to secure a foothold in New York, the 1990's may be a time of opportunity rather than a time of uncertainty and stress

BY CLYDE MITCHELL AND CLIFFORD J. HENDEL

One of the most dramatic changes in the New York banking market in recent years has been the increased involvement of foreign banks. An *American Banker* survey identifies nearly 500 foreign banks currently operating in New York in one organizational form or another. Spanish banks have participated significantly in this trend. Several major Spanish banks (including Banco Espanol de Credito, Banco Hispano Americano, Banco Bilbao Vizcaya, Banco Central, Banco Exterior de Espana, Banco de Sabadell, Banco Santander and Banco Atlantico), have entered the U.S. market in the past two decades and now form a significant banking presence in New York.

With the aroma of recession hanging heavy over Wall Street, certain large New York-based U. S. banks have already commenced major restructuring and belt-tightening measures in response to a decrease in business. For foreign banks seeking to secure or expand an existing foothold in the New York marketplace, the 1990's, however, may be a time of opportunity rather than a time of stress—with generally conservative lending practices (evidenced, in the case of Spanish banks, by generally limited exposure to third world debt) and the backing of strong foreign parents, these banks may be to some extent immunized from the general malaise in the industry. This may be especially the case for European banks, which experienced greater growth in 1989 than their U.S. counterparts. Even the most pessimistic bankers agree that the United States' huge and influential financial markets make it important for foreign banks to retain a U.S. presence.

While a U.S. presence usually involves a New York presence, many leading banks including Spanish banks have also established offices elsewhere in the United States, including San Francisco, Los Angeles and Miami. Puerto Rico has been an important entryway for Spanish banks into the United States, as its Spanish-speaking populace and roots make it an attractive and receptive area for Spanish banks interested in cracking the U.S. market. Certain Spanish banks have used their U.S. and Puerto Rican bases to service the Latin American market, both in lending and in fee-based transactions that are increasingly common in Latin America (such as advice regarding debt conversion and privatization programs). Banco Santander and Banco Central are examples of Spanish banks with an important presence in Puerto Rico.

> [European Banks have experienced greater growth in 1989 than their U.S. counterparts]

This article summarizes four of the most useful organizational alternatives open to foreign banks considering entry into the New York market by means other than establishing a commercial bank or making an outright acquisition of a going concern.

REPRESENTATIVE OFFICE

Regarded by many foreign bankers as the most flexible and least expensive means of entering the New York banking market, a representative office is not, as a legal entity, separate from the foreign bank. A representative office is often a single individual who serves as a contact point, information gatherer, business promoter and public relations outlet for the head office, all with the primary goal of generating goodwill and business contacts, The office may not accept deposits, make or approve loans or disburse funds and, accordingly, it faces no reserve or loan limit regulations. Representative offices often serve as a foreign bank's first avenue for access into the U.S. and often evolve into one or another of the other forms of organization described below.

Representative offices of foreign banks in New York must register with the New York Superintendent of Banks (the Superintendent) and the United States Secretary of the Treasury. In addition, a representative office of a foreign bank with total worldwide consolidated assets of less than $500 million must obtain a license to do business in New York from the Superintendent. Banco Exterior de Espana and Banco de Sabadell are among those Spanish banks that presently maintain representative offices in New York.

NEW YORK AGENCY

Like a representative office, a New York agency is not a separate legal entity but rather an office of the foreign bank licensed by the Superintendent. Except for the receipt of certain "domestic" deposits (e.g., deposits from U. S. citizens or residents), a New York agency may engage in a full range of the usual banking activities, including the power to make loans, to buy, sell, pay and collect bills of exchange, to issue letters of credit, to pay and collect for the foreign bank, to issue certificates of deposit in principal amounts of $100,000 or more, to sell or issue checks, drafts, travelers' checks, money orders or other similar instruments and, with the separate approval of the Superintendent, to exercise fiduciary powers. A New York agency is generally free from lending limits and reserve requirements under New York law and is not eligible for Federal Deposit Insurance Corporation (FDIC) insurance. An agency is subject to the same reserve requirements as Federal Reserve member banks if the foreign bank in question or a company or group of companies controlling it has total worldwide consolidated assets in excess of $1 billion. However, a New York agency may establish an International Banking Facility (IBF), and approved deposits made with an IBF are not subject to reserve requirements.

Banco Atlantico presently maintains an agency in New York. Several Spanish banks also have agencies in other U.S. cities, notably Miami, as Florida law at present prohibits foreign banks from setting up branches in the state.

NEW YORK BRANCH

A foreign bank may wish to establish a New York branch, which would enable it to participate in the full range of banking services to the same extent as a full-service New York commercial bank. This includes the power to accept deposits (whether "domestic" or not) as well as to obtain the authority to exercise the same fiduciary powers as a trust company under New York law.

The versatility of the New York agency organizational form (as opposed to a New York branch) is demonstrated by the fact that, other than with respect to deposit-taking, there are few remaining distinctions between the functions of a New York branch and an agency. The procedure for obtaining license generally is the same as that applicable to a New York agency.

Because it is not a separate legal entity, a New York branch does not have capital as such. Instead it is subject to a minimum assets pledge sometimes referred to as the "5 percent rule". Every foreign bank that opens a branch must deposit at another bank in New York liquid assets equal to five percent of the total liabilities of the New York branch, exclusive of accrued expenses and liabilities to other offices, agencies, branches and wholly-owned subsidiaries of the foreign bank. For a foreign bank opening a branch, the initial five percent deposit is based on the branch's one-year projection of total liabilities.

> **Certain Spanish banks have used their US and Puerto Rican bases to service Latin America**

Branches, unlike agencies, are subject to New York's lending limits, which may be a decisive consideration for small foreign banks. Branches, however, are not deemed to be separately capitalized and may rely on the capital of the foreign bank as a whole to determine compliance with such limits. This results in a very large lending limit compared with the "size" of the branch operation otherwise.

New York branches must meet reserve requirements and must have the same ratios of reserves against deposits as New York banks and trust companies. Like an agency, a New York branch is subject to the same reserve requirements as Federal Reserve member banks.

In addition, New York branches, like New York agencies, can establish IBF's. A New York branch is eligible for FDIC insurance, but is generally not required to be insured unless it solicits deposits from the general public and accepts initial deposits of less than $100,000 in an aggregate amount in excess of a level set by the FDIC.

The New York branch form of organization has been the vehicle of choice for foreign banks in New York in recent years, including such Spanish banks as Banco Hispano Americano, Banesto, Banco Bilbao Vizcaya, Banco Central, and Banco Santander as well as some 230 other foreign banks presently maintaining branches in New York.

FEDERAL AGENCY

The statutory criteria and regulatory constraints for formation and operation of a federal agency are similar to these for a New York agency. Unlike a New York agency, however, a federal agency may not exercise fiduciary powers or accept any type of deposits; it may, however, maintain credit balances (which are transaction deposits made in connection with credit and other permitted transactions).

A foreign bank planning to begin agency or branch operations in several different states may choose a federal license for all of its operations in order to deal with only one federal regulatory agency instead of several different state banking departments.

Like a New York agency, a federal agency is not required to obtain FDIC insurance, is subject to U.S. reserve requirements as described above and can establish an IBF.

The inability to accept deposits from non-U.S. citizen/non-U.S. resident depositors, however, together with legal lending limits under Federal law which impose a 15 percent of capital limit on unsecured loans to a single borrower, has reduced the attraction of a federal agency in comparison to a New York agency.

The responsiveness of the federal and state regulatory system in New York is continually reflected by the number of new entities established by foreign banks in the New York market each year, confirming New York's niche as the preeminent platform for banking business in the United States. Ω

CLYDE MICHELL *is a partner of the international law firm White & Case specializing in banking and financial law.* CLIFFORD HENDEL *is an associate of White & Case specializing in financial transactions. They received assistance on this article from associates Conrad Bahlke and Audrey Baker.*

Spain Buys New Embassy

In November 1990, the government of Spain paid $20 million for a recently completed office building at 2375 Pennsylvania Avenue in Washington D.C. which will serve as its new embassy. According to The New York Times, the eight-story, 56,816-square-foot building was developed speculatively by a group of local investors headed by Richard S. Bennet Jr. which also included several Washington Redskin football players. The new embassy will house a 186-person staff by early 1991. Spain will keep its old embassy building on 16th Street, although its use has not been determined as yet.

New Chairman at INI

The Spanish government recently named Mr. Francisco Javier Salas Collante president of the big state industrial holding corporation, the Instituto Nacional de Industria (INI), the fifth man to hold the position since the Socialist Government came to power in 1982.

Mr. Salas has been with INI since 1973 and is said to have "few political inclinations."

G.M. Expands in Spain

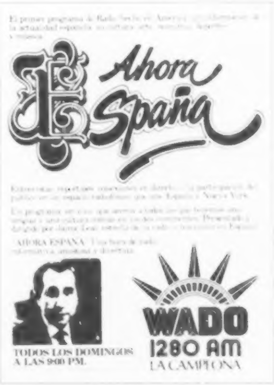
In November 1990, the General Motors Corporation's Hughes Aircraft subsidiary set up a company in Spain to supply the expanding commercial and industrial market for electronic components in Europe. According to The New York Times, the Hughes Microelectrónica Europa España S.A. will be built near Malaga and will employ 400 workers by 1994.

Car Sales Slump in Spain

1990 closed with an average 10% decline in car sales. In a survey of car makers conducted by the magazine Economia, industry leaders attributed the drop in sales to Spain's strict credit restrictions, a stiff value-added tax and soaring oil prices provoked by the Gulf crisis.

French Buy Stake in Spanish Sugar

Sucre Union and Générale Sucriere, French sugar producers, Tate & Lyle of the UK and E.D. & F. Man, the UK sugar brokerage have bought a 21% stake in Spain's second largest sugar manufacturer, Sociedad General Azucarera de España (SGAE). According to the Financial Times, Groupe Saint Louis, the French food group which owns Générale Sucriere, said a jointly owned company would hold the stake. SGAE has a European Community production quota of 230,000 tons.



"Ahora, España" On AM Radio

With the goal of covering the influence of Spain in the United States and the significance of the 500 years celebration of the discovery of America, a new radio program has begun entitled "Ahora España" on 1280 AM Radio WADO. Produced and presented by Mr. Jaime Leal, the program reports on news about Spain, Spanish events in New York, personalities, sports, music and talk-show segments. Ahora España broadcasts on Sunday nights at 9:00 pm.

Corporación Industrial de Banesto is Quoted

November 28, 1990 market the first day on the exchange for the holding company Corporación Industrial de Banesto, whose portfolio includes Banco Español de Credito. According to Cinqo Días, the Madrid Stock Exchange quoted 36.8 million shares that day at a value of 18.4 billion pesetas.

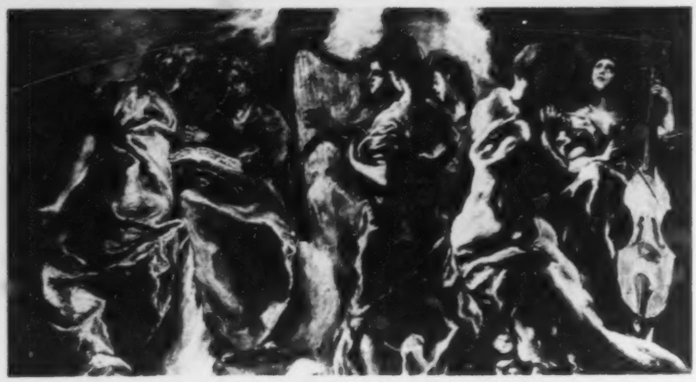
Cosmopolitan in Spain

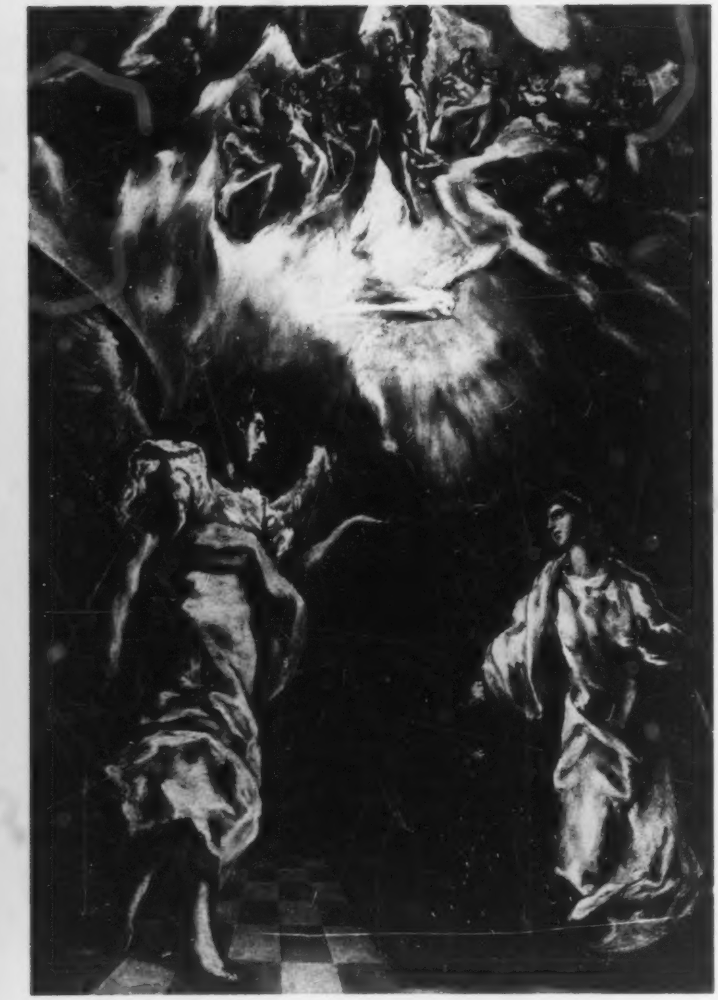
According to International Media, Hearst Magazines International and Grunner + Jahr jointly launched, on a 50:50 basis, Cosmopolitan magazine in Spain in October 1990. The two publishing groups began negotiating the launch in 1988.

Cosmo's target group is middle to upper class urban women aged 19 to 34, which is typical for the magazine worldwide. There are over two million women in Spain which are potential Cosmo readers, according to a Spanish research company. The magazine hopes to gain 500,00 readers within the first year of sales.

New VP at Santander de Negocios

Mr. Johannes S. Seefried, recently became the Banco Santander New York Branch Representative and Vice President at Banco Santander de Negocios, the wholly owned Madrid-based Merchant Banking subsidiary of the Santander Group. Over the past seven years, Mr. Seefried has worked in the banking and stockbrokerage industries in both the U.S.and Europe.





BANCO HISPANO AMERICANO GETS IT TOGETHER

These two paintings have an interesting history.

In fact, they are one.

El Greco's "The Annunciation" was cut in two in the 19th century.

The bottom part belongs to Banco Hispano Americano; the top part —"The Angels' Choir"— to the Athens National Museum.

We got the two sides together at an exhibition in Toledo, where El Greco painted it.

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Guinness PLC Makes the Biggest Foreign Investment in Spain

Guinness PLC of the UK has signed a $1 billion agreement to buy Spain's largest brewer, La Cruz del Campo S.A., in the biggest foreign investment ever made in Spain. According to the Wall Street Journal, the deal culminates nine months of negotiations and is expected to be finalized by January 1991. Cruzcampo, which owns a 28.4% stake of Stroh Brewery Co. USA, is a closely held company and registered a net profit in 1989 of 10.8 billion pesetas on a revenue of 44 billion pesetas. The acquisition comes at a time when beer consumption in Spain is rising at an annual rate of around 4% over the past decade.

Banesto Opens Credit Line for Investors in Art

Spain's Banco Español de Credito (Banesto) has set up a special line of credit to finance the purchase of paintings, sculptures and antiques. The credit line is the first of its kind in Spain and reflects a growing interest in art an investment. As cited by the Wall Street Journal, Mr. Fernando Falero, a manager for the bank, stated "the credit line was open-ended," but added that clients" would be charged interest of around 16%." Average bank loans in Spain average 15%.

Banco Hispano Americano Offers New Account

The international branch of Banco Hispano Americano recently launched the Hispano International Collection Account aimed at foreign exporters to Spain. The goal is to expedite the reimbursement of payments from the exports, to save unnecessary administrative delays and to assure value to exporters by efficient account management. The account pays annual interest for balances over 1 million pesetas which is not subject to withholding tax. It is recommended that the account be opened in Banco Hispano Americano's Madrid Office (tel. 341-577-8856).

Banco Hispano Americano & Dillon Read

The Spanish commercial bank, Banco Hispano AMericano, and Dillon, Read Ltd. of London, in association with the Rockefeller family investment arm, Rockefeller & Co. have decided to launch an industrial investment firm in Spain called Borealis. According to the Wall Street Journal, the company has an initial capital of six billion pesetas ($61.2 million), and will invest in quoted and non-quoted Spanish companies with a view to realizing capital gains over a three-to-five year period. Claudio Boada has recently been nominated as President of the new firm effective in January 1991.

French Buy into Spanish Construction

Renta Immobiliaria, the Spanish construction company controlled by financier Mr Giancarlo Parreti, will sell the majority stake to a group of French investors led by businessman Mr Jean-Rene Bickart for about $373 million. According to the Financial Times, under Spanish law, before selling Renta, its owners have to offer to buy back shares held by small investors.

Fiat Invests in Spanish Truck Maker

Iveco, the commercial vehicles subsidiary of Fiat of Italy has acquired majority control of Enasa, the heavily loss-making Spanish manufacturer of Pegasus trucks and buses. According to the Financial Times of London, the move further accelerates the restructuring of the western European truck industry. The agreement follows the collapse of an earlier deal where the Instituto Nacional de Industria (INI), the Spanish state holding company, was to sell 80% of Enasa to a West German consortium of MAN and Daimler-Benz. That deal was blocked by West German cartel authorities early in 1990.

Mato Returns to Spain

After six and a half years at Extebank in New York, Mr. Ramiro Mato has returned to the bank's parent company in Madrid, Banco Exterior de España. The bank has also opened a new agency in New York that will be headed by Mr. Luis Mendoza, previously General Manager of Banco Exterior in Los Angeles.

Lufthansa Sells Stake To Iberia

Spain's national airline Iberia was given the go-ahead by the Spanish government to acquire Lufthansa's 48% stake in the Spanish charter company Vuelos Internacionales de Vacaciones S.A. for $8.5 million. According to the Wall Street Journal, the deal raises Iberia's stake in the company to 96%.

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Congress Approves Funding for the U.S. Pavilion at "Expo '92"

It's green light and full speed ahead for the United States Pavilion at the Universal Exposition Seville 1992. When the appropriate Congressional committees agreed in late June to program funds for the project, the U.S. Information Agency immediately announced that the way had been cleared for U.S. participation in Expo '92.

Congress authorized $13 million in federal funds to construct the U.S. pavilion at Expo'92. According to an USIA spokesman, the remaining 68% of the cost will be financed by non-federal sources. This is a significant change from past fairs and expos," he says. "It is a partnership between the public and private sectors."

Thus far, 109 countries representing 90% of the world's population are slated to participate in Expo '92, breaking by far all records in the history of universal and international expositions and world fairs. In addition, multinational corporations and organizations and Spanish companies, institutions, regions, provinces and cities will take part in Expo '92.

Chosen over more than 100 submissions in a competition sponsored by the USIA, Barton Myers Associates, a Los Angeles-based architectural firm, was awarded the commission to create the United States Pavilion. According to Barton Myers, who leads an all-Californian creative team, the 70,000 square-foot multi-use pavilion ("the size of a standard American city block") will be pre-fabricated in the U.S., barged and shipped to Spain, and assembled there.

"The U.S. will occupy the largest site of any national pavilion after the Spanish buildings," Myers explained. "The Spanish have done an excellent job of planning Expo '92," he adds, "and it is a very urbane approach - boulevards, streets, plazas, gardens, fountains, etc. In fact, they have put height restrictions on the blocks, and we're right up to the maximum height. Our design approach is one of being minimal with elegance, rather than bombastic."

"Expo '92's theme is "The Age of Discovery," not only in the geographic sense but in all areas of human endeavor, past, present and future. In the words of a project director, it will by "a life experience . . . a catalyst exposing (40,000,000) visitors to 'the possible dream' with sensory bombardment and 3-dimensional impact."

The keynote of the U.S. Pavilion will be "Re-discover the USA. " Visitors will enter through a giant plane of water spilling into a moat. As Columbus crossed the Atlantic, visitors will cross this metaphoric "ocean" via a bridge, "traversing the waters to America.." Emphasis will be on trade and tourism and the diversity of the United States as a country. Each of fifty mist-cooled towers rising from within the Pavilion will represent a particular state.

In addition, every U.S. state and city is invited to exhibit individually within the pavilion. To date, letters of intent have been received from California, New York State and South Carolina, as well as from Kansas City, Seville's "Sister City," which boasts a replica of the Giralda Tower. NASA will feature "New Adventures on the Horizon " and the "manned mission to Mars." Other participants include the American Plywood Association (the first private-sector organization to sign up), Coca-Cola (sponsor of the VIP lounge), the Smithsonian Institution, and Kansas City-based U.S. Sprint. IBM (the official Expo '92 computer) will operate 70 touch-screen information kiosks located around the 538-acre Expo site.

As a result of the recent Congressional approval, additional U.S. Pavilion exhibitors and sponsors are expected to enlist before it's time for "last call" for participation in this record-breaking Expo. Ω

Barcelona 1992 Olympics Update: Have a Seat!

According to the Barcelona '92 Olympic Organizing Committee (COOB '92), the majority (68%) of tickets to Olympic Games events will cost under $20. The highest priced tickets, roughly $90, will be for the basketball finals.

In the United States, tickets for the general public will be sold exclusively through Olson Travel World, (800) US4-1992. While Olson offers Olympics tour packages which include entrance to events, ticket purchase is not contingent upon travel or hotel arrangements. Tickets are expected to go on sale in February 1991; the exact on-sale date will be announced as The Business Link goes to press.

DID YOU KNOW...

- 10,000 athletes from 167 countries will compete in 25 sports and 526 events in 44 venues during the 25th Olympiad in Barcelona, July 25-August 9, 1992.
- 5,850,000 tickets divided into 1,024 categories (seating, site, event/preliminary-semi-final-final) will be sold and distributed.
- Non-attending spectators will include an estimated 3.5 billion TV viewers around the world.
- The total budget is $1.27 billion, with a total projected revenue of $1.26 billion.
- Mascot Cobi is a cartoon character based on a Pyrenean sheep dog. Ω

Tickets to most events will be under $20, the high will be the basketball finals at about $90

Over 70,000 Performances & Shows Scheduled for Expo '92.

During the 176 days of Seville's Expo '92, visitors will be able to attend over 70,000 performances and shows of a wide variety presented on the city's 21 stages (17 of them built especially for the Expo) plus other venues.

The new Teatro de la Maestranza will host the world's finest opera companies. The Cartuja Auditorium, built on the banks of the Guadalquivir, will present two original productions–an anthology of Andalusian zarzuela (Spanish Operetta) and a grand-scale musical comedy. Also scheduled are top name jazz concerts, recitals by vocal and instrumental groups and soloists and dance performances.

The Teatro de la Expo, with a moving stage, will be the first theater in Spain devoted exclusively to avant garde performing arts. It will feature modern and contemporary theater, music and dance; The Palenque entertainment center, in the middle of the Cartuja Island Expo site, will feature free shows and dancing to the music of orchestras at night and new young talent in all the performing arts during the day.

The classic and refurbished Teatro Lope de Vega will present traditional theater, including Peter Brook's "La Verbena de la Paloma" and Mauricio Scaparro's version of "El Quijote," featuring Joseph María Flotats.

Daily Els Comediats, a dancing musical theatrical carnivalesque group directed by Joan Font, will perform while parading through the streets. Audiences of 1500 will see 100 years of the world's best cinema on a giant open-air screen at movietown. In addition, they will be able to join in the live-action atmosphere, reliving milestone films on reproductions of their sets–such as one from "Casablanca," where drinks can be ordered at Rick's Bar. Play it again Sam! Ω

[17 stages—including one that moves—were built especially for Expo '92 in Sevilla]

The Star of 'Carmen', 'Don Juan', And 'The Barber of Seville' Will Now Have Its Own Home

After "starring" in over two dozen operas, Seville will have now its own opera house, the Teatro de la Maestranza.

Over two dozen operas feature Seville as their setting, including "Carmen," "Fidelio", "La Forza del Destino," "Le Nozze de Figaro," twelve versions of "Don Juan," two versions of "The Barber of Seville," three versions of "Wedding in the Monastery," the zarzuela "El Gato Montés," and then some.

Next year, after having been an opera celebrity for centuries, Seville will finally have its own opera house, the Teatro de la Maestranza, with the Spanish tenor Plácido Domingo as its operatic director.

"Seville stars or appears in some of the best works of Mozart, Rossini, Bizet, Verdi and Beethoven," comented Domingo in announcing the Maestranza's operatic program for Expo '92.

Launching Expo '92's April-October opera series at the Maestranza will be Bizet's quintessentially Sevillian "Carmen" in a production by London's Royal Opera, Covent Garden. (In addition, during August in the city's Plaza de España, there will be 18 open-air performances of "Carmen," some starring Domingo.) Also scheduled for the Maestranza's Expo '92 season are: "Don Giovanni" (Vienna Opera, Claudio Abbado, Director); "Il Barbiere de Siviglia" (Rossini Opera Festival de Pessaro); "Le Nozze di Figaro" and "La Forza del Destino" (Mayo Musical Florentino, Zubin Mehta, Diector); "La Traviata" (Scala de Milan, Riccardo Muti, Director); "Fidelio" and "La Fanciulla del West" (New York Metropolitan Opera, James Levine, Director); "El Gato Montés" (Teatro Lírico Nacional La Zarzuela); and "Der Fliegende Holländer" (Opera de Dresde-Dresden Semperoper).

According to an Expo '92 official, the 1800-seat Teatro de La Maestranza will boast acoustics and technology ranking it among the finest opera houses in Europe. It is located near the legendary Plaza de Toros la Maestranza and the Torre del Oro, on the city side of the Guadalquivir River (the Expo '92 site is on Cartuja Island). The theater's setting is quintessentially *sevillano*.

As a prelude to Expo '92, the Maestranza will open in May 1991 with an inaugural season featuring productions of "Rigoletto," "La Boheme," "Tosca," and the Spanish zarzuela "Doña Francisquita." It will be, as Plácido Domingo says, "training and rehearsal" of the acoustical characteristics of the theater, which will then close until its curtains rise for Expo '92. Ω

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Amb. Jaime de Ojeda, Ricardo Jové, Marvin Traub, and Amb. Miguel de Aldasoro at the gala.

Bloomingdale's Spanish Products Kick-off Gala

An estimated 750 people gathered at Bloomingdale's in New York City on September 12, 1990 for the gala which kicked-off the seven week promotion entitled, "Spain: Europe's Rising Star," in all 15 Bloomingdale's locations.

Distinguished gala guests included the Ambassador of Spain to the USA, H.E. Jaime de Ojeda, Counsel General Miguel de Aldasoro, The Countess of Romanones and Carolina Herrera. Many members of the Spain-USA Chamber of Commerce attended, including the President, Ricardo Jové, Alvaro Ureña of Iberia Airlines, Francisco Alcón of Banco Hispano-Americano, Maurice Cusack, former President of the Chamber, and Michael Domecq of Domecq Importers.

The evening began with cocktails and hors d'oeuvres served on various floors of the store where guests had the opportunity to view such exhibits as Gaudi-inspired colorful mosaics and wrought iron arches; an exhibit saluting Spain's premiere graphic designer, Mariscal; and a recreated Madrid by night in the "Paseo del Prado". Additional exhibits saluted the XXV Olympiad in Barcelona and the World's Fair in Seville. Replicas of the Nina, Pinta, and Santa Maria were displayed in the 59th Street windows to focus attention on the series of events to be held in Spain and America for the Quincentennial celebration. The seated dinner was catered by Remember Basil, and the menu included tapas and a traditional Spanish meal. Entertainment during the evening included classical guitar music by Manuel Gonzalez, traditional songs sung by La Tuna (strolling minstrels), and flamenco dance performed by Mercedes Moreno.

Spanish merchandise totalling $10 million was purchased by Bloomingdale's for the promotion. Everything was for sale. Entire model rooms, inspired by distinct styles of Spanish architecture and decorated with elements of Spanish design, could have been purchased. The variety and selection of products was extensive. Merchandise included products as varied as wrought-iron benches and ceramic apothecary jars, bejeweled scarfs and leather outwear, designer dresses and silk ties, and carved alabaster desk accessories and perfume.

According to Marvin S. Traub, Chairman of Bloomingdale's, the promotion "captured the allure and essence of modern day Spain, showcasing the best it has to offer." He pointed out that in 1987 Bloomingdale's featured Spain as part of the "Mediterranean Odyssey" six country promotion. This time, for seven weeks the fashion, art, design, and even history and culture of Spain alone were presented.

An estimated 20 million people visited the 15 Bloomingdale's stores during the seven week promotion.

EUROPE'S RISING STAR

spain

Domecq at Bloomingdale's

As part of its "Spain: Europe's Rising Star" celebration, Bloomingdale's selected Domecq to be the sole purveyor of wines and brandies. Not only were sherries from Jerez, Lembey sparkling wines from the Penedes, Marques de Arienzo Rioja table wines and brandies including Carlos I served at the kick-off gala and press reception, but they were featured for seven weeks with tapas in all the store's restaurants.

The gala and press reception were covered by THE BUSINESS LINK, and attended by many Spain-USA Chamber of Commerce members including the host of the press reception, Michael Domecq, who established the first Domecq company in the United States in 1981.

To the delight of the guests, Domecq's Veneciador, Mr. José Morales, dipped his *venencia* (a two-and-a half-foot rod with a cup at the bottom) into a cask of sherry with his right hand and then arched it gracefully through six feet of air and into eight copitas (traditional sherry glasses) that he held in his left hand. He did not waste a drop. For over 18 years Mr. Morales has been perfecting the veneciador art.

As Domecq is rich in history, appropriately the company represented Spain at the Bloomingdale's Spanish product promotion. Founded in 1730 in Jerez, Andalucía (southern Spain) by Patrick Murphy, an Irishman, the House of Domecq was developed by Pierre Domecq Lembeye, a French aristocrat who decided to stay in Spain, change his name to Pedro, and take over the company that still bears his name.

Today the company produces a complete line of sherries, brandies, Rioja and sparkling wines which are exported to more than 102 countries, the principle markets being the USA, Great Britain, Holland, Italy, Germany, Mexico, Brazil, and Columbia. The company remains family owned and operated, as Michael Domecq is the son of Pedro Domecq, the seventh generation descendent of the first Pedro Domecq.

Michael Domecq looks on as Jose Morales delights the guests of the Domecq Press Reception skillfully pouring sherry with his venencia.

World Summit for Children Brings World Leaders to NY

Felipe Gonzalez, the Prime Minister of Spain, and George Bush, the President of the United States, together with 70 other Heads of State or Government and 86 state observers, attended the World Summit for Children, held in New York City at the United Nations Headquarters on Sunday, September 30, 1990.

The aim of the Summit, the largest gathering of world leaders ever held, was to stimulate new initiatives in the international community to address the issues that most critically affect children. The presence of the leaders symbolized their personal commitment at the highest political level to improve the state of children around the world - a condition which currently results in 40,000 deaths daily of children under the age of five.

The Summit adopted by consensus a declaration on the survival, protection and development of children and a plan of action for implementing the declaration.

Taking advantage of the opportunity offered by the gathering of over 70 Heads of State in New York City for the World Summit for Children the weekend of September 28-30, 1990, Prime Minister Felipe Gonzalez met with many government leaders.

Directly following the Summit's close, Prime Minister Gonzalez met privately with George Bush, President of the USA, in a suite of the Waldorf-Astoria to discuss matters of interest and concern between their two countries. They spoke extensively about the relationship between the USA and Spain, focusing particularly on their cooperation in alleviating the aggression in the Persian Gulf and in restoring peace to that area.

Over the course of the weekend, Prime Minister Gonzalez had meetings with other Heads of State, primarily from Latin America, who attended the Summit. These government leaders included the following: Violeta Barrios de Chamorro, President of Nicaragua; Fernando Collar de Mello, President of Brazil; Patricio Aylwin, President of Chile; Carlos Andres Perez, President of Venezuela; Carlos Saul Menem, President of Argentina; and Guilio Andreotti, Prime Minister of Italy.

The World Summit for Children was not only historic because it brought together the largest gathering of Heads of State in history, but also because it accredited the largest number of press ever to cover an event. The Spain-USA Chamber of Commerce is proud that staff from THE BUSINESS LINK were accredited and as members of the press participated in this unprecedented Summit, which will appear for these two reasons in the *Guinness Book of World's Records*.

George Bush, President of the United States, and Felipe Gonzalez, Prime Minister of Spain meet after the close of the World Summit.

SMAGUA' 91 Will be Held in Zaragoza February 13-27, 1991.

The 9th edition of the International Water Show, SMAGUA '91 will take place in the Zaragoza Trade Shows Exhibition Center (Zaragoza, Spain) February 13-17, 1991.

The development of this sector, the importance of the world water problems and the possible technical solutions to these problems, will be presented at the Zaragoza show. For all of these reasons SMAGUA '91 will be attended by high profile companies in the sector.

All the booths in the three large pavilions destined for the show already are reserved, clearly indicating the importance companies in this field give this February event.

SMAGUA has managed in very few editions to place itself at the head of its specialty in Europe, and has raised the interest of industrialists, technicians and researchers at a time when the environment and quality-of-life issues figure in as a top priority in the world's political programs.

This international trade show is organized to offer a wide selection of equipment and materials for ground water training, water treatment and water distribution.

The sectors to be represented will include the following:

- Prospecting of Water
- Lines of transpotation and Storage
- Water Treatment and Purification
- Swimming Pools
- Other Equipment
- Engineering Technical Publications

Several American companies will exhibit at SMAGUA '91, joining over 325 foreign and 252 Spanish exhibitors which presented their products in the 1989 edition of the show. The 1991 show attendance is expected to surpass the 1989 figure of 25,000.

Important technical publications such as *Water Well Journal, Water Monitoring Review, Pool & Spa News, Water Works Association Journal* will be presented in Zaragoza for this important show.

A travel group has been organized in New York through Spanish Heritage Tours to attend SMAGUA '91. Ω

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IFEMA, Madrid Trade Fair Organization, Expanding

Now in its 10th year of remarkable growth, the Madrid Trade Fair Organization (IFEMA) is expanding both domestically and internationally. It presents more than 40 major trade shows each year - attendance in 1989 was over a half million exhibitors, distributors, and customers from 120 countries.

IFEMA has opened offices in New York and Miami with a view to enhance trade between U.S. and Spanish companies, coordinate trade show exhibit space, and provide U.S. exhibitors and visitors with information, assistance, and contacts in Madrid, as well as travel arrangements (in conjunction with Hispanidad Holidays).

The organization operates representative offices within the European Economic Community and Latin America, and plans to open an office in Japan. Also it coordinates through Spanish chambers of commerce abroad. In early 1991, IFEMA will relocate its facilities from Madrid's Casa de Campo to the new Ferial de Madrid fairgrounds, with over one million square feet of indoor exhibit space and 323,000 square feet outdoors, eight state-of -the -art pavilions and parking for over 14,000 vehicles.

Ferial de Madrid is a segment of the new Campo de las Naciones complex. A city-within-a-city, it comprises convention, exposition, business, sports, recreation and shopping centers, fair grounds, parks, hotels, restaurants, etc., all less than two miles from Madrid's Barajas International Airport.

IFEMAS's trade fairs cover such areas as computers, engineering, art and antiques, handicrafts, graphics, travel, sports, textiles, fashion, footwear, fur and leather, jewelry, cosmetics, electronics, energy, optics, medical/dental, pharmaceutical, home and consumer goods, musical instruments, publications, teaching materials, interior design, gifts, etc.

Two '91 shows are: FITUR (International Tourism Trade Fair), January 23-27; and Arco (International Contemporary Art Fair), February 7-12.

For information contact : IFEMA; 350 Fifth Ave; Suite 3514, New York, NY 10118; tel: (212)694-1618; or IFEMA; Gables International Plaza; 2655 Le Jeune Road, Suite 1008; Coral Gables, FL 33134; tel: (305) 444-9500.

Events Around Town

Antonio Canalas and Juana Amaya of the Cumbre Flamenca dance troupe from Spain in a performance at the Joyce Theater.

CUMBRE FLAMENCA "EL BAILE"—THE JOYCE THEATER FROM 9/25-10/8

These were electrifying performances by some of Spain's most accomplished and spontaneous flamenco dancers including Chistobol Reyes, Juana Amaya, and La Chana, whose machine-gun footwork proved to be the highlight of the show. *Duende* abounded.

RECITAL OF ALFREDO KRAUS—CARNEGIE HALL, 10/7

The world-famous tenor gave a compelling performance of arias, zarzuela selections, and songs to the piano accompaniment of José Tordesillas. He delighted the crowd (which stood and fervently stomped its feet at the recital's end) with four encores.

FOLKLORE GROUP "AIRES DE ARAGON"—DANCES ON FIFTH AVENUE, 11/14

This group from the pueblo Ejea de los Caballeros of the Aragón region of Spain, sang, danced and played the castanets on its way down Fifth Avenue as part of a Columbus Day parade. Group members handed out *cachirulis*, the typical scarf of Aragon, to an enthusiastic crowd. Later they danced at the Circulo Español in Astoria. A surprise performance by the Tuna of Madrid topped off the evening.

MUSIC FROM THE AGE OF CHRISTOPHER COLUMBUS—GRUPO DE CAMARA DE COMPOSTELA, THE METROPOLITAN MUSEUM OF ART, 11/15

In front of the *reja* from the cathedral of Valladolid and amongst medieval statutes and tapestries, this group from Santiago de Compostela (Galicia) performed music of the route of St. James and the Cántigas de Santa María, as well as music from the age of Columbus, the Cancionero de la Colombina, and the Cancionero de Palacio. Medieval instruments that the group played included hurdy-gurdies, the organistrum, and the guitarra morisca.

JUDEO-SPANISH & MEDIEVAL MUSIC CONCERT BY "ALLA MVSICA", SPANISH-PORTUGUESE SYNAGOGUE, 11/7

The group performed songs from places as varied as Tetuán, Smyrna, Turkey, Salónica, and Bulgaria on such instruments that were played by the Sephardim as the Kemany (spike fiddle), the kanun (zither), derbukas (drums), and sonajas (tumbrels). Sephardic music maintains much of the language and texts of Hispanic origin. At the same time, the music has adopted elements from cultures outside Spain, enriching texts that originated in the Iberian peninsula. Ω

La Cocina Cantábrica is a Taste of the Real Spain

Chef Larumbe adds new twists to ancient fishermen recipes from Cantabria, Spain's northern province

BY GERRY DAWES

The people of Cantabria, the sparsely populated province along Spain's beautiful green northern coast, la Costa Verde, are quintessentially Spanish, since their isolated region was spared most of the invasions that so influenced the culture of the rest of Spain over the centuries. The Romans barely grazed them, and later, the Moors left them alone behind the snow-capped peaks of their formidable Picos de Europa mountains as they raced on to France and defeat at Poitiers. And for centuries, too, the simple fisherman-and-farmer cuisines of this region felt little outside influence except from their eastern neighbors, the Basques, and their western neighbors, the Asturians and Galicians, of whose cuisines the Cantabrian kitchen wafted aromas that were a dialect not a distinct culinary language.

Today, *cocina cantábrica,* now being promoted as a distinct regional cuisine, is primarily concentrated in the hands of a team of chefs nurtured by the late Victor Merino of Santander, the capital of Cantabria, and currently headed by Pedro Larumbe of Cabo Mayor restaurant in Madrid. In 1984 Mr. Larumbe won the most prestigious culinary prize in Spain, the Premio Nacional de Gastronomía, as best chef in the country.

Mr. Larumbe was born in Lerin, near the old Carlist stronghold of Estella in Navarra, the northern provence that borders France and has produced some of Spain's best chefs.

In addition to five other restaurants Larumbe helps to oversee, Cabo Mayor, which is located in the Chamartín section of Madrid, is considered by Gourmetour's Guía BMW to be one of the city's top five restaurants. Larumbe recently opened a Cabo Mayor in chic Sotogrande (Cádiz) and, with Saito, (a Japanese chef) another in Osaka, Japan.

Chef Larumbe is famous for his seafood dishes primarily, and for his creativity, light touch, and willingness to experiment, at times giving a new twist to ancient fishermen recipes from Cantabria. Some samplings from Larumbe's past menus at Cabo Mayor include *ensalada de salmón fresco con ostras* (a salad of fresh salmon with oysters), *ensalada de otoño con trufas y setas* (autumn salad with truffles and mushrooms), *chipirones a la plancha con vinagre de trufa* (grilled squid with truffle vinegar), *vogavante a la mantequilla de Jerez* (lobster with sherry butter; he sometimes uses Domecq's Sibarita palo cortado sherry), *confit de pato con cereza* (duck confit with cherries), *merluza frita en salsa verde al azafrán* (hake in green sauce with saffron), and a pigeon fricassee with almonds.

> Today Cocina Cantábrica is being promoted in Spain as a distinct regional cuisine

Cabo Mayor restaurant is named after the cape at the end of the spit of land that cradles the harbor of Santander, one of northern Spain's major fishing ports along the Cantabrian coast.

It was founded by the legendary late Victor Merino, Pedro Larumbe's father-in-law, who himself won the National Gastronomy Prize in 1979. Mr. Merino, a native of Rioja, the renowned wine district, opened reputedly the best restaurant in Cantabria, El Molino, in Puente Arce (7 miles outside of Santander) in an old tide-driven mill house that he renovated. It had its ups and downs during a period of radical experimentation with *cocina nueva,* nouvelle cuisine. Over the years, however, El Molino earned a reputation as the most imaginative restaurant in Cantabria--and Saito even formed part of the team there. It became known as *La cuna de la cocina Cantábrica,* the birthplace of Cantabrian cuisine. It is the new Cantabrian cuisine, of which Larumbe and his team are practically the only practitioners.

Victor Merino also opened La Sardina, a restaurant decorated like the inside of an old fishing boat, and known for its *cocina marinera* featuring recipes recovered from old fishermen, the cuisine of Cantabria's maritime ancestors. La Sardina, with its *viveros,* or tanks holding live fish and shellfish, also is known for the light hand of Antonio Merino, with his own original sauces. Some dishes from past menus include lobster salad with shrimp and prawns; brandade of bonito; thyme-flavored rock fish stew with black olives; and a stew of potatoes with flying squid.

As for wines, you can also try a Navarra rosado from Lerin, Pedro Larumbe's hometown. In all of the Merino-Larumbe restaurants you will not find a Cantabrian wine to go with the new Cantabrian cuisine from this beautiful, but often very rainy and, thus nearly wineless, green coast.

GERRY DAWES *is one of the authors of The Penguin Guide to Spain 1991. He regularly escorts wine and food tours to Spain. Mr. Dawes lectures on Spain, most recently at the Smithsonian Institution, and speaks frequently at wine tastings/dinners. He resides in Suffern, N.Y., and his business phone is (914) 357-6093.*

JANUARY

FEBRUARY

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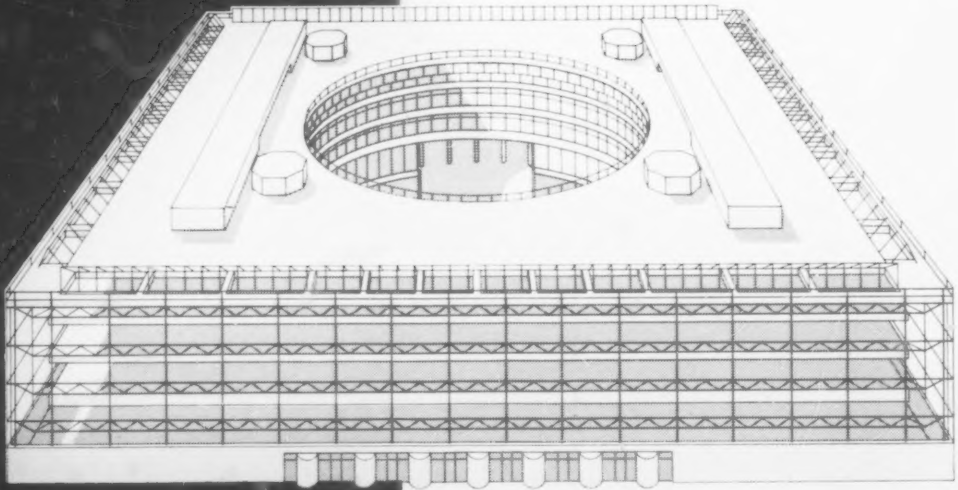

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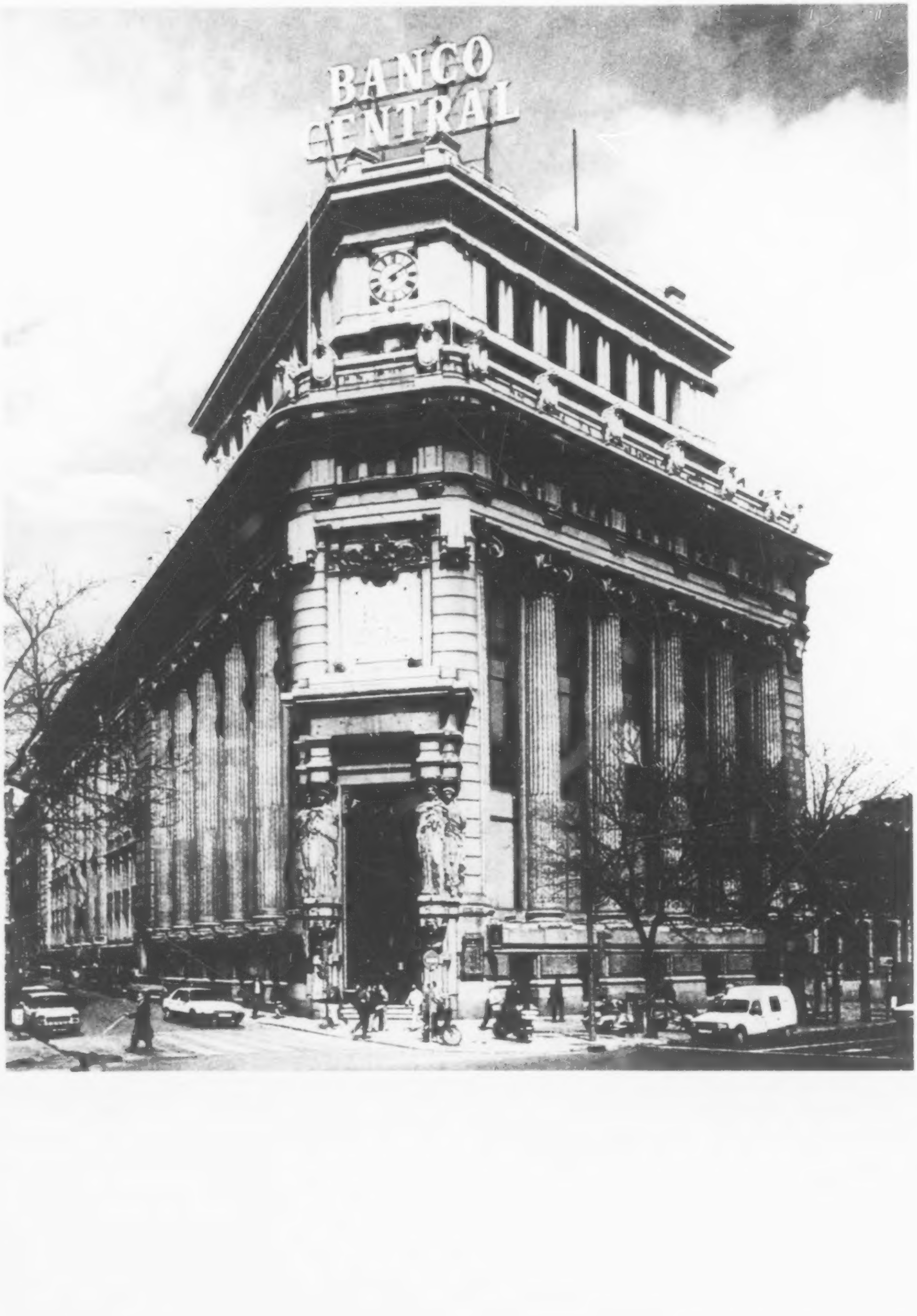

BANCO
CENTRAL

Bold Spanish Artists Show Their Work in New York

At topnotch New York City art galleries, recent exhibits featuring Spanish painters and architects highlight the diversity and complexity in contemporary Spanish artistic styles

Exhibits of such Spanish masters as Velázquez, Goya, and Picasso in New York City museums are widely acclaimed and attended by the public. However, less known and more infrequently visited are the numerous exhibits of respected Spanish artists of today in many New York art galleries. Unlike in a museum, not only can the works of these artists be admired, but also purchased. Private collectors from all over the world increasingly are investing in the works of Spanish artists, both those who have been painting for 50 years and are established, and those who are young and up-and-coming. At gallery openings well-seasoned art investors and amateur art enthusiasts alike have the opportunity to speak with the artists about their works.

In this issue The Business Link features Spanish artists who were among those whose works were exhibited in New York art galleries last fall.

HERNANDEZ PIJUAN
Joan Prats Editions.

The recent paintings and drawings of the acclaimed artist Hernández Pijuan were exhibited at Joan Prats Editions. Mr. Pijuan, who resides in Barcelona, came to New York for the gallery opening and presentation of the book *Joan Hernández Pijuan, Drawings, 1989-1990.*

Already a celebrated artist in Spain, Mr. Pijuan, who has been painting for 40 years, increasingly is becoming known internationally. His works have been exhibited in many European countries and in Japan, as well as in cities across the USA. Mr. Pijuan told The Business Link that gradually in the way that drops of water slowly fill up a glass, his reputation has been building steadily and his works gaining popularity. However, since as he says, what is in style always goes out of style, he seeks to maintain his own independence as an artist, free of the latest art trends and hype. His works tend to have a Mediterranean flavor. They tend to recreate memories of landscapes, places and spaces. Images of single houses evoke a sensation of isolation.

CIRILO MARTINEZ NOVILLO
LLadró Art Gallery of Contemporary Spanish Art.

Cirilo Martínez Novillo the prominent Spanish landscape painter belonging to the group of artists known as the Madrid School, was featured at the LLadró Art Gallery of Contemporary Spanish Art.

Since 1946 or the age of 25, Mr. Martínez Novillo has exhibited his work regularly in Spain. His paintings reflect his interpretation of the Spanish landscape with bold colors and spatial distance that suggest remoteness and solitude while also providing a fresh sense of seeing a landscape's most vital and essential elements. Mr. Martínez Novillo has lived for various periods in Paris, on several occasions with grants from the French government and Madrid's Juan March Foundation.

Mr. Martínez Novillo's work is in numerous private collections in Spain, the USA, France, and Argentina, as well as in the Museums of Contemporary Art in Madrid, Bilbao, and Oviedo.

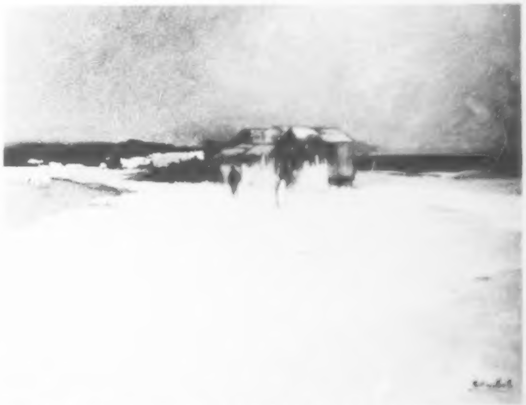
NURI TAUB
The Handcraft Gallery

Her paintings form part of private collections in Spain, France and Israel, and have been exhibited in the USA, including in New York at the Monserrat Gallery, Fashion Institute of Technology, and at the Art Student's League. This past fall twenty three of Nuri Taub's modernist paintings were exhibited at The Handcraft Gallery.

After having had a traditional training of art history, studying the old masters, and analyzing the "ciaro/obscuro" of Rembrandt and voluptuousness of Rubens, Ms. Taub broke the rules she had learned.

No more background, middle ground and foreground, no more shadows. Her paintings exude humor and freedom, as they seem to be a joyous and harmonious combination of color, shape, and composition.

The discipline of the basics-color, form, line, rhythm-are all uniquely reflected in her work,expressing happiness and harmony.



Beach in Evening Light by Cirilo Martinez Novillo.

LOLA PLANELLS

The Handcraft Gallery

During the summer at The Handcraft Gallery, several dozen oil on canvas paintings of Lola Planells were exhibited, her second solo show in New York City. Born and educated in Valencia, Ms. Planells has lived and exhibited her works in Paris, and for seven years has been residing and working in New York.

The "urban landscape," more specifically "the subway," are themes Ms. Planells has been developing in her paintings. Rather than represented realistically, they are depicted symbolically, creatively. Each reflect the search and continuous fight of every human being, whether conscious or unconscious, to find a sublime reality.

One of Ms. Planells works was selected by The United Nation's Biblioteca de Obras en Español to be used on their season's greeting cards.

VICTOR MIRA

The Dorsky Gallery

Victor Mira, a native of Zaragoza and one of Spain's foremost contemporary artist has gained recognition internationally in recent years with exhibitions in Europe, the Americas, and Japan for his paintings and sculptures. The Dorsky Gallery exhibit this fall focused on the "Estilita," a "character" that personifies isolation and reflection. The Estilita has become a key element in Mr. Mira's personal ichnography and appears in much of his work of the past five years.

Mr. Mira's works were introduced in New York in 1989 by The Dorsky Gallery in a show entitled "You can't sleep in Spain." This fall the gallery featured works, which touched on the many formats this artist exploits, ranging from small pencil drawings to monumental canvases.

FERRAN GARCIA SEVILLA

Galerie Lelong

The latest paintings of the Mallorcan born and Barcelona based artist Ferran García Sevilla were exhibited at The Galerie Lelong. He was included in the exhibition "5 Spanish Artists" at Artists Space in 1985, and this was his first solo show in New York. Mr. Garcia Sevilla's works have been exhibited widely in Europe.

The paintings and works on paper in the exhibit entitled "Sama" and "Mina," continued to develop García Sevilla's interest in linguistics and in open systems of interpretations. Simultaneously spare in appearance but complex in layered meaning and symbols, such as arrows, animals, and hands, are derived from non-Western sources: totems, mantras, cave paintings. Hindu philosophy and religion have continued to be an influence in Mr. Garcia's paintings.

ANTONI MUNTADAS

Kent Fine Art

This fall, Kent Fine Art presented "STADIUM V," an installation by Antoni Muntadas using video, slides, photography and architecture. From the first Greek and Roman arenas to the ubiquitous contemporary stadium housing musical and sporting events, Mr. Muntadas feels that control has been exercised in the guise of entertainment.

In this installation, Mr. Muntadas elicited the cultural and political implications of the stadium and continued his critical analysis of archetypes.

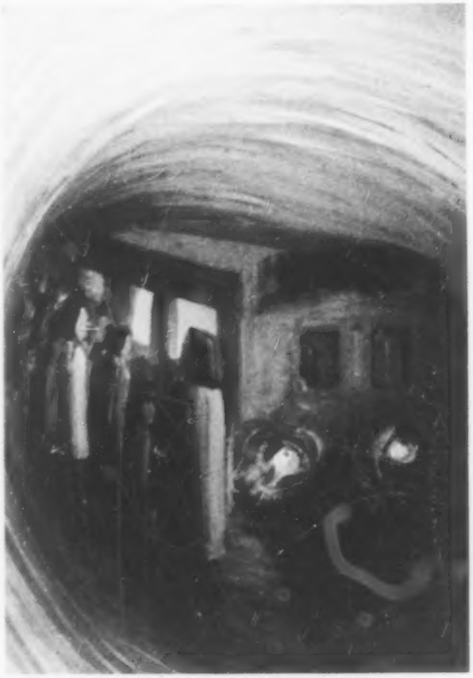
STADIUM was conceived as a project to be reconstructed wherever it is exhibited; the basic concept remains the same, but varies in relation to the space and context in which it is shown. It has been seen in several galleries in Canada and England. Mr. Muntadas was born in Barcelona and has been based in New York since 1971.

GERARDO DELGADO

Farideh Cadot Gallery

The first solo exhibition in New York City of the works of Gerardo Delgado was presented by the Farideh Cadot Gallery. Mr. Delgado, who resides in Sevilla and is an architecture professor at the university there, has entitled this collection of his works "El Caminante," or "The Walker/Traveller."

A foot of various sizes, represented in an abstract way and alluding to the act of walking, is a motif in all of his works, done primarily in shades of grey. Within the feet there is often a glimpse of a stormy landscape or a frozen river at night.



A Lola Planells painting illustrating her subway motif.

Other of Mr. Delgado's works together with the works of seven other Spanish artists will be exhibited over the period of two years throughout the United States. This exhibition is entitled "Imagenes Liricas/New Spanish Vision."

CONTEMPORARY CATALONIAN ARTISTS

Fernando Alcolea Gallery

The Fernando Alcolea Gallery presented a program featuring the following contemporary Catalonian artists: Vicenc Viaplana, Begoña Egurbide, Ramón Roig, and Alfonso Sánchez-Rubio.

Ramón Roig's works clearly reveal that his fundamental preoccupations operate as much in the formal plane as in that of contents and ideologies. The attention to material, play of light, and depth in the works of Begoña Egurbide, attest to her interest in revitalizing painting as a distinct mode of expression. The works of Alfonso Sánchez Rubio question the very essence of painting as an "exploration in illusionism." Vicenc Viaplana defines his most recent paintings as "mental landscapes," in which he shies away from the decorative to create a painting to unnerve the viewer. Ω

Imagen de Marca De los Paises(IMP)

Para elaborar una IMP hay que enfocar el producto del pais

POR JOSEP-FRANCESC VALLS

Una serie de fenómenos se han dado cita en los últimos años que han obligado a los teóricos de la comunicación a trabajar con ardor en el desarrollo de todo lo referente a comunicar la imagen de marca de los países.

Entre los más destacados podemos mencionar la internacionalización de la economía; la audiovisualización y transnacionalización de las imágenes y el sonido. Otro gran fenómeno es el nuevo papel de las administraciones públicas en la promoción de la economía. Por último pero no menos importante se encuentra la proliferación casi ad infinitum del número de productos en los mercados mundiales.

Estos factores exigen la erección de nuevos emisores sociales, capaces de identificar la oferta propia. De otra forma, la infinidad de productos, de servicios, de ideas, de instituciones, se pierden en la jungla comunicativa, no dejan constancia de su existencia y sus imágenes se fijan, por tanto, en las mentes de los consumidores. A través de la gestión adecuada de su imagen de marca, los países - sus productos, sus servicios, sus empresas y corporaciones, su turismo, su moda, su tecnologia, su creatividad, su mano de obra, su suelo, sus infraestructuras, sus sensibilidades precisas.... - adquieren un sello, capaz de identificar mejor su oferta completa ante los públicos mundiales reales y potenciales. Junto a los atributos parciales que posee todo producto, servicio o idea - identificados bajo la imagen de marca de producto - y los añadidos de la empresa o institución que los genera, la IMP le va a servir a todo lo que se cobija bajo su paraguas de soporte comunicativo como tabla adicional ante los consumidores.

> La infinidad de productos y de servicios se pierdan en la jungla comunicativa

La gestión de una IMP potente, organizada y auto adherida por los ciudadanos, exige un esfuerzo conjunto entre las administraciones públicas, las empresas y corporaciones privadas y las instituciones y asociaciones. El desarrollo de esta imagen del país obliga al uso de una serie de instrumentos comunicativos perfectamente organizados, según la fase en la que esté situada esta IMP y según las estrategias y objetivos que en cada momento se tracen.

Estos instrumentos comunicativos son los siguientes: la identidad Corporativa, la Publicidad, el Sponsoring , las Relaciones Públicas y la Relación con los medios de comunicación.

No es lo mismo la labor que un país realice en favor de su imagen y la imagen que perciban los públicos reales y potenciales. El éxito y la evaluación constante de la primera consistirá en que efectivamente sea percibida tal cual se emite para los consumidores.

La imagen de marca de país es, pues, en su sentido estricto, la percepción que anida en los consumidores de lo que un país aparenta o es. Esta percepción que los consumidores poseen de lo que se figuran que es un país y sus elementos es equivalente al producto del país, es decir a los productos, los servicios, las sensibilidades, las atracciones turísticas, las atracciones para la inversión, la creatividad, la moda, la tecnología... en fin todos aquellos imputs de la personalidad del país, más la PAC, es decir, la Política de Acción Comunicativa.

Para elaborar adecuadamente una IMP hay que enfocar las realidades y potencialidades del producto del pais, estableciendo paralelamente las líneas básicas de la PAC. Si un país pretende, por ejemplo, ampliar la presencia de sus productos en Estados Unidos tiene, primero, que enfocar cuáles de sus productos tienen cabida en el mercado americano, tanto por posicionamiento, o por precio, como por la personalidad de esos consumidores. Conocida la capacidad de penetrar un mercado, habra que establecer, a la par, una acción comunicativa conducente a persuadir a los norteamericanos, frente a sus propios prejuicios o estereotipos, creencias o sentimientos a favor del consumo de producto del país.

Habrá que distinguir tres fases, es decir tres posiciones de una Imagen de Marca de País: la fase inicial, que corresponde a la primera elaboración científica de la IMP; la segunda fase es la de mantenimiento, que consiste en establecer un estado de comunicación permanente que le permita al país estar presente e incrementar el dominio de su IMP ante un target universal; y la fase de optimización, es decir, la estandarización del imaginarlo propio a escala internacional, el control de las fuentes de información, del espectáculo, de los códigos culturales y comunicaciones, de los "fashion movers" (los líderes de las modas), que le permitirán al país servir de soporte con su IMP a cualquier bien, servicio o idea producido en su seno.

En todas las fases, se actuará de forma preventiva, valorando siempre los riesgos coyunturales o situacionales ante los que se enfrenta toda imagen que se fija en la mente de los consumidores: desde el momento en que se concibe y diseña hasta el instante en que es percibida, y al final, se convierte en conducta. Igualmente, uno de los objetivos fundamentales de la PAC se encamina a la mobilización y la adhesión de los ciudadanos del país hacia la propia IMP; sin ella, se generan unas disfunciones comunicativas que coartan, en algún momento del proceso, la buena gestión de la IMP. Ω

JOSEP-FRANCESC VALLS *es doctor en Comunicación, profesor de Comunicación de ESADE y periodista.*

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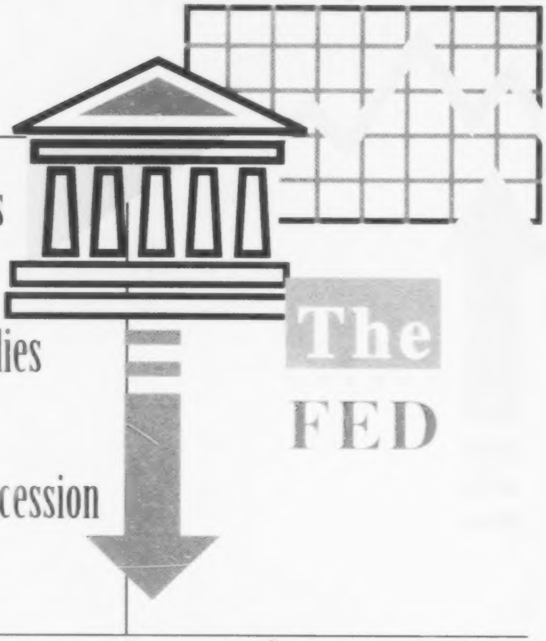

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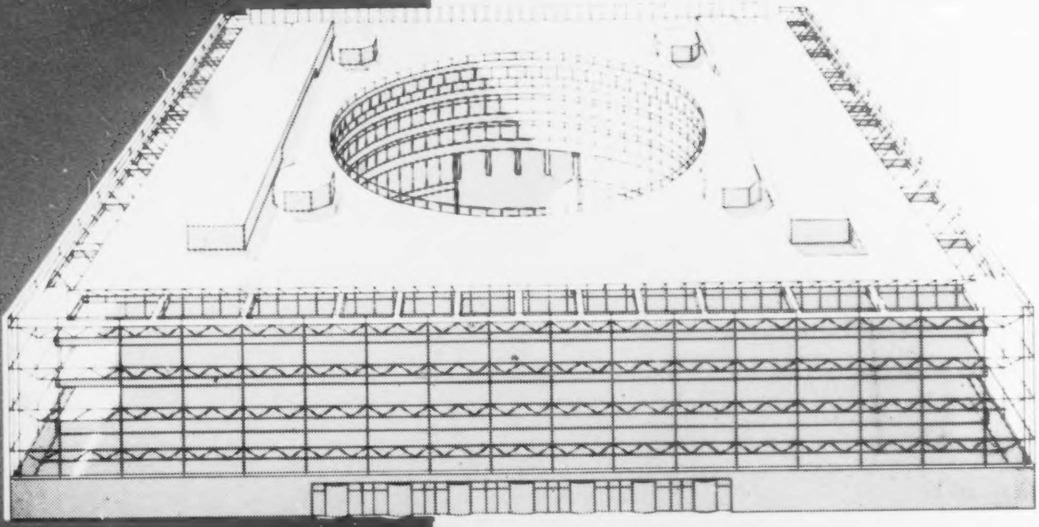
JANUARY	11/15	REGALO-FAMA
	11/15	[illegible]
	11/17	[illegible]
	23/27	FITUR
	30/4	[illegible]
FEBRUARY	9/13	ARCO
		[illegible]
	INTERNATIONAL FASHION WEEK	
	20/24	[illegible]
	21/24	Imagenmoda
	21/24	Intermoda
MARCH	9/13	CLIMATIZACION
	16/24	[illegible]
	16/24	SALON INTERNACIONAL DEL [illegible]
	19/22	[illegible]
APRIL	3/6	[illegible]
	5/8	EXPOCALZADO
	13/17	[illegible]
	17/21	[illegible]
	26/29	EXPO/OPTICA
MAY	MADRID INDUSTRY AND TECHNOLOGY WEEK	
	8/10	[illegible]
	8/10	[illegible]
	8/11	[illegible]
	8/11	Broadcast
	8/11	Tecnova
	24/28	[illegible]
JUNE	26/29	LIBER



IFEMA. ITS EXHIBITION CENTRE

SEPTEMBER	5/8	[illegible]
	INTERNATIONAL FASHION WEEK	
	19/22	Imagenmoda
	19/22	Intermoda
	19/18	[illegible]
	20/2?	REGALO-FAMA
	20/24	[illegible]
OCTOBER	3/6	VETECO
	3/7	[illegible]
	3/7	EXPOCALZADO
	Oct.	IBERPIEL/ MARROQUINERIA
	22/26	[illegible]
	24/27	[illegible]
	31/3	SALON [illegible] INTERNACIONAL DEL [illegible]
NOVEMBER	13/17	[illegible]
	19/22	[illegible]
	20/2?	[illegible]

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In This Issue:

[Reportaje Especial 01] This quarter's special report focuses on the State of New York as a source of unique business opportunities for Spanish investors and exporters. With a strong industrial base and one of the most diversified export mixes in the United States, New York's dynamic economy offers Spain an important trade and manufacturing beachhead in the largest western consumer market.

[U.S. Business 17] An analysis of the current service sector-driven recession is our feature in "U.S. Business." From a macroeconomic perspective, the article highlights the commercial real estate crash, loss in consumer confidence and the slowdown in bank lending as critical factors leading to the downturn.

[Spain Survey 25] "Spain Survey" provides a financial analysis of one of the most up-and-coming companies in the toll highway industry. Consisting of a core group of firms with concession rights to routes throughout Spain, the industry has registered unprecedented revenue growth.

[Fax Poll 36] To better serve Link readers, we are pleased to introduce our "Fax Poll" as a new section of the magazine that aims to open a direct channel of communication between the Chamber and the Spain-USA business community. We encourage everybody to "fax us your answers."

—ALEXANDER ROBARTS
Editor-in-Chief

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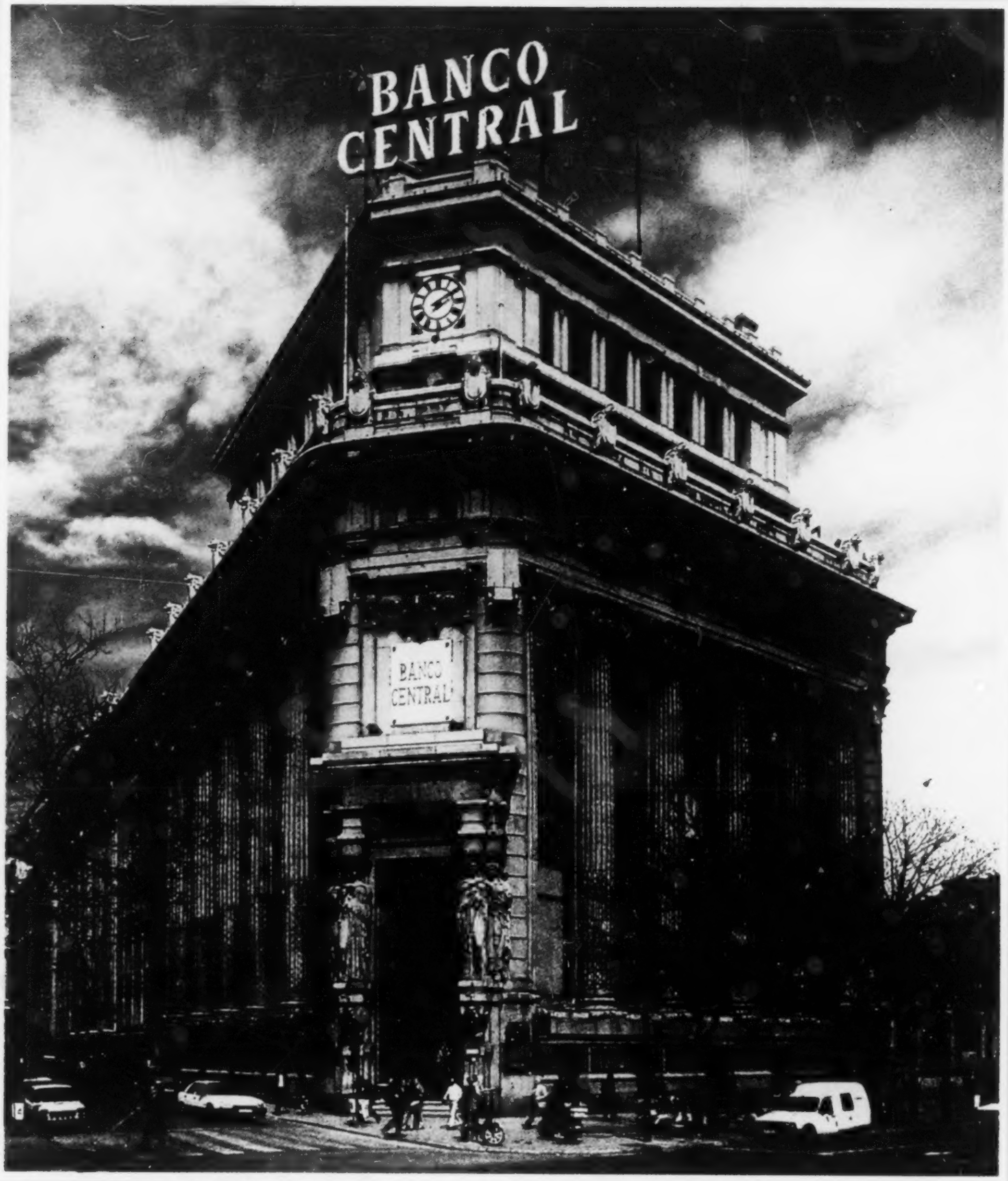

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1992 y EE.UU.: Imagen con poco contenido?

Conseguir la designación de los Juegos Olímpicos y la EXPO supuso un enorme esfuerzo promocional, político y diplomático para España. La financiación de ambos, conjuntamente con las celebraciones del Quinto Centenario van a suponer—están ya suponiendo—una enorme carga al ya deficitario presupuesto estatal del Reino de España. Las cifras son astronómicas y le tomará varios años al país poder digerir tal esfuerzo financiero.

Los tres grandes eventos de 1992—complementados con la nominación de Madrid como capital cultural de Europa— son las estrellas en las que se pretende catalizar un inmenso esfuerzo promocional para proyectar al mundo una nueva imagen de España. La oportunidad única y la coyuntura favorable justifican el esfuerzo económico extraordinario

Sin embargo, la imagen jamás puede ser un objetivo en si mismo. Es un instrumento—esencial y utilísimo—dentro del plan estratégico. Los objetivos son más tangibles y cuantificables. Para una Administración pragmática como la actual, los objetivos de carácter económico deben tener gran peso específico entre los objetivos políticos "del 92".

A nivel interno, supondrá la creación de una red de telecomunicaciones y servicios homologable con el de los mejores países europeos. A nivel exterior se busca la "internacionalización económica" de España y que se puede sintetizar en: una mayor atracción para inversiones "de calidad" y un mayor reconocimiento de la calidad de nuestros productos en los mercados internacionales.

No sería razonable que, tras el enorme esfuerzo realizado España—incluídos sus empresarios más destacados—no incorpore a EE.UU. como país prioritario en su esfuerzo de internacionalización económica. De hecho, no se ha contabilizado ningún aumento sustancial de compañías españolas que se hayan establecido o introducido nuevos productos en EE.UU. Buena parte del capital norteamericano que va a España es especulativo y, mientras tanto, excelentes compañías de este país desconocen todavía las oportunidades económicas que España les ofrece como plataforma de negocio con Europa.

El proyecto de Gira de Promoción Económica que presentamos en este número, tiene por objetivo capitalizar la atención que España recibe en los medios de comunicación para darle un contenido económico, más sólido y longevo. Es una oportunidad que España no debe desperdiciar antes que la atención de los ejecutivos de este país se desvíe hacia México o la Europa del Este.

—MIGUEL SEBASTIA

The Chamber

New England Business Council Opening

Melvin Ravech addresses the assembled Council guests.

Pasqual Maragall, Mayor of Barcelona, and Ricardo Jové, Chamber President.

Frank O'Connor, Director of the U.S. Department of Commerce for New England and Ambassador Ojeda.

Melvin Ravech with H.E. Julio Jacoiste.

On February 18, 1991 at the Copley Plaza Hotel in Boston, a luncheon was held to celebrate the opening of the New England Business Council of the Spain-USA Chamber of Commerce. The guest of honor was H.E. Pasqual Maragall, the Mayor of Barcelona and President of the Comité Organizador de los Olímpicos de Barcelona (COOB '92). In attendance was H.E. Jaime de Ojeda, Ambassador of Spain to the USA; H.E. Julio Jacoiste, Consul General of Spain in Boston; Xavier Roig, Chief of Staff of Mayor Maragall; and other Catalan officials. Over 60 senior executives of the New England business community were present.

Ricardo Jové, President of the Spain-USA Chamber of Commerce headquartered in New York City, graciously introduced Melvin Ravech, the newly designated Honorary President of the organizing committee of the Chamber's New England Business Council, based in Boston. Mr. Ravech is the senior partner of the prominent Boston law firm Ravech, Aronson, and Shuman, which has provided substantial support for the organization of the Council.

Mayor Maragall gave complimentary remarks on the Boston-Barcelona Sister City relationship, which has existed for many years. He encouraged U.S. and Spanish business people, who are results oriented, to establish stronger ties. He emphasized that the time is auspicious to approach joint ventures and become aware of opportunities in the European Community via Spain. Mayor Maragall stressed the importance of timing—i.e. prior to 1992—to optimize the U.S. business community's options and opportunities in business relations with Barcelona.

In closing, H.E. Jaime de Ojeda addressed the gathering, stressing that U.S. businessmen must act promptly and that it would be to their advantage to rely on the support of the Spain-USA Chamber.

The event was organized with the support of the N.Y. office, and coordinated by Robert F. Charriere, the recently appointed Executive Director of the Council.

That evening, Mayor Maragall received the prestigious Prince of Wales Award on behalf of the City of Barcelona in recognition of its outstanding architecture. The ceremony was held at the Harvard University School of Design. Ω

H.E. Don Jaime de Ojeda, Ambassador of Spain, Addresses the Chamber

A capacity crowd attended a luncheon in honor of H.E. Don Jaime de Ojeda, Ambassador of Spain to the United States, held on December 5, 1990 at the Waldorf-Astoria in New York City. The function was hosted by the Spain-USA Chamber of Commerce and the Spanish Institute.

Ricardo Jové, President of the Chamber, welcomed the guests to the luncheon, who included Ambassador Miguel de Aldasoro, Consul General in New York; Mariano Muela, Trade Commissioner; senior executives from top Spanish and U.S. banks and corporations; and members of the Spanish and U.S. press.

Ambassador Ojeda began his remarks by noting that Spain has engineered a nonviolent transition to democracy, proof of its political maturity, economic purpose, and high degree of adaptability. He stated that Spain represents an example of the recent evolution against the temptations to erect regional barriers against free trade, stressing that the country offers key advantages in world trade.

Specifically, the Ambassador observed that Spain's wealth of managerial talent increasingly is oriented toward foreign markets and is open to joint-ventures. Ambassador Ojeda added that vis-a-vis foreign investors, Spain has a liberal policy which imposes few obstacles on the remittance of royalties, investment proceeds, and capital gains. The country is building a new infrastructure around the world class events of 1992 scheduled to be held there. These dynamics have sparked private initiative with mergers, consolidations, and new investments, both from domestic and foreign sources. It is estimated that by 1992 about 60% of Spain's manufacturing facilities will be less than six years old, insuring the long-term competitiveness of its economy.

Ambassador Ojeda speaks with Chamber guests.

The Ambassador also stressed that the accession of Spain to the European Economic Community (EEC) has meant four years of high and sustained economic growth for its economy. During this period its gross domestic product has been growing well above 5%, and the level of employment has improved by 4% since 1985. Such growth has shortened the existing gap between Spain and the average in the EEC in terms of modernization and development.

Ambassador Ojeda assuaged the fears of many U.S. firms that the single European market will be protectionist. Rather, it will be a platform for investment, a manifestation of the EEC's commitment to open trade.

Surprisingly, the strong Spanish market has not attracted the active interest of U.S. firms that it warrants. As a result, in the last five years the USA has lost ground to Italy. Despite the fact that Spain continues to buy 9% of its total imports from the USA, its third largest supplier, the Ambassador advised that U.S. firms will have to be more aggressive in order just to keep their ranking of third among other countries that invest in the Spanish market. U.S. direct investment in Spain has lost ground in percentage and also in real terms to other members of the EEC and Japan. It decreased 11% in 1988 and 4.6% in 1989, while the total foreign direct investment in Spain grew by 15% and 38% in 1988 and 1989 respectively. Additionally, it is worrisome to many Spanish businessmen that Spanish exports to the U.S. market are diminishing, currently accounting for just 7% of Spain's total world exports.

The year 1992, Ambassador Ojeda emphasized, offers U.S. firms an excellent opportunity to offer their American managerial expertise, technological advancement and industrial might to the Spanish economy and establish profitable ties. He expressed the hope that the USA will seize this opportunity, reverse the present negative trend, and recover its historical role in the Spanish economy.

Contemporary Spain focused its economic activity on Europe more than on the USA, and Spain's recent integration into the EEC has increased this tendency. Recently the strength of the peseta has made trade with the U.S. market difficult, particularly since Spanish goods traditionally have been sold in this market on price rather than on quality and by a recognized brand-name. The Ambassador affirmed that if Spain wishes to play a more competitive role in the global market, the country needs to be more active in the U.S. economy.

In closing, Ambassador Ojeda praised the efforts of the Spain-USA Chamber of Commerce in what presently is its most active period in its 32 years of existence. He applauded the Chamber's projects which are designed to open doors and to educate and bring together executives and entrepreneurs, which he described as the real driving forces behind a long-term, global interaction between Spain and the USA. A press conference was held immediately following the luncheon. Ω

Chamber Launches U.S. Tour: "Multi-Industrial Business Opportunities" in Fall 1991

The Spain-USA Chamber of Commerce is organizing an ambitious presentation designed to provide information about Spain as a business partner, the 1992 events, and Spain's business opportunities for U.S. and Canadian business people. The Chamber will target industries which seek to initiate or expand operations in the European market. At the same time, the presentation will offer Spanish investors in the U.S. market a platform to gain wider exposure among potential clients and business partners. The presentation will travel to nine cities in the USA and Canada in the fall of 1991.

Although currently Spain is receiving much coverage in the world press associated with the 1992 Summer Olympics, Expo '92, and the events commemorating the 500th Anniversary of Columbus' historic voyage, most of the publicity is cultural, not economic, in nature. As a result, to a large extent among U.S. entrepreneurs and corporate executives, the strength of the Spanish market and the potential for profit it offers, remain widely unknown. The Chamber seeks to change this by capitalizing on the interest in Spain generated by the 1992 events and to aggressively increase business with Spain.

The tour objectives are:

* To increase interest in the Spanish market among the top decision-makers operating leading companies in the United States and Canada.

* To introduce the sponsors to a selected group of U.S. companies in an effort to reinforce or to establish bi-national business links.

* To organize meetings dealing with the most important economic sectors of each city where the presentations take place.

* To integrate official entities and authorities, business associations and the media of each city and/or state in the project.

* To inform more than 10,000 U.S. and Canadian companies with annual sales of over $10 million that deal in specific sectors of the best opportunities in Spain, about the project, the presentations and post-tour activities.

Representatives of the sponsor companies and of the organizations involved with the events of 1992 will also be part of the promotional tour. A Chamber team based in New York will be in charge of the logistics, itinerary, agenda, contacts with public entities in each city and contact with the media.

In each city, the full-day presentation will be divided into four parts:

* General presentation of Spain and key aspects of business development. This part will be complemented with video presentations of 1992 events.

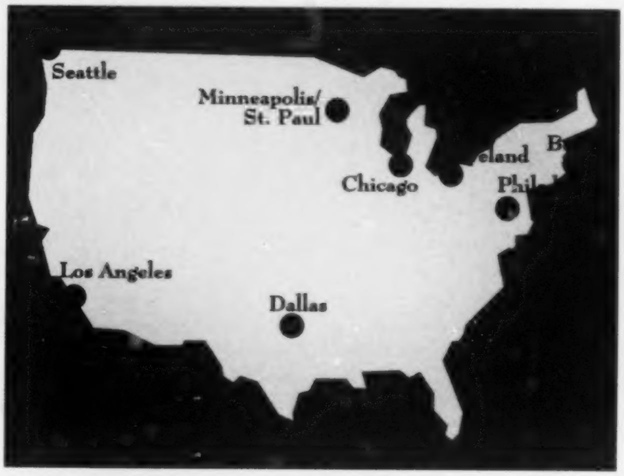
* Luncheon with all participants and presided by each city/state's authority.

* Limited meetings on three or four economic sectors of special interest in each city.

* Distribution of promotion material to the participants and interested parties.

The tour is scheduled to travel first to Boston, Toronto, Chicago, Minneapolis and Philadelphia in October 1991. The second phase of the tour will be in November and travel to Seattle (Vancouver), Los Angeles, Dallas, and Cleveland. Ω

For further information, contact Ms. Christa Seewald de Vicente, Special Projects Manager, at the Spain-USA Chamber of Commerce by calling (212) 967-2170. Fax: (212) 564-1415.



Chamber's promotion tour will visit nine cities in Canada and the U.S.

Chamber and Spanish Institute Honor Chairman of Banco Hispano-Americano

In March, The Spain-USA Chamber of Commerce and The Spanish Institute held a luncheon in honor of José María Amusategui de la Cierva, the recently appointed Chairman of the Board and CEO of Banco Hispano-Americano. The President of the Chamber, Mr. Ricardo Jové, introduced Mr. Amusategui to over 125 guests assembled.

Mr. Amusategui began his remarks stating that the Spanish banking industry is solvent, strong and well-equipped to weather the economic storms ahead. Its capital adequacy ratios stand favorably to the test of international comparisons, both in terms of core capital and total eligible funds. Provisions for country risk and bad loans are comparable to the best European banking systems, and even after 1990s lackluster performance, Mr. Amusategui stressed that profitability is more than acceptable.

The entrance of financial product specialists in the Spanish markets makes the repricing of traditional banking products almost inevitable, yet, in his assessment, big banks will not be helpless in meeting the challenge. Branch networks could be rationalized to reflect new market conditions, and he predicts that smaller branches will be closed while bigger branches will increase their sales of non-traditional services. Banks will dedicate greater efforts to cut operation costs. The banks have a very good chance to win this competitive war. The combination of much more powerful and versatile technology together with a wider product range will allow the best banks to excel in the relationship banking area.

According to Mr. Amusategui the problem of competing in a European-wide market appears to be more complex. As historical experience has shown, economic integration, whether prompted by political union or by progress in communications, has led to the creation of institutions big enough to cover the expanded market. In the case of European integration, however, he believes that the process probably will be very slow because Europe will remain divided by deep cultural, linguistic, legal, and tax barriers.

L to R: Clark Winter, Ricardo Jové, José María Amusategui, Amb. Miguel de Aldasoro, Francisco Alcón.

There is no single private banking institution in Europe that could compete effectively as a universal bank in the main European countries. Only a multinational combination of the largest European banks could hope to achieve it. Only certain banking alliances, such as Europartners, could provide the seed of a future and truly universal pan-European bank.

In this light, Mr. Amusategui affirmed that perhaps only a half-a-dozen of the biggest European banks could hope to play an important role in their home base and join the ranks of the small-to-medium size institution in some of the remaining markets. These banks would enjoy certain advantages, such as greater bargaining power vis-a-vis some suppliers and customers, as well as the prestige and image derived from size. However, as some large U.S. banks found in their European operations, there also are some disadvantages associated with this model. For example, it is not always easy to think big in one market and small in another. Furthermore, in a service industry, the handicaps attached to a "foreign" image are much greater than in manufacturing.

The dominant European model appears to be what could be called the "large regional banks," which are universal banks operating in one territory and basing their competitive advantages in their strong identification with that territory. Their expansion could proceed gradually towards neighboring areas with close cultural links with their home bases. All of the Big 6 Spanish banks have an adequate size to compete in this type of strategy.

Mr. Amusategui stated that the basic business of banking is service and information. The new technologies allow banks not only to cut costs, but they offer them the chance to improve the breadth of service quality.

In closing, Mr. Amusategui stressed that the Spanish banking industry holds some very real and valuable intangible assets, including experience, strategy, and management talent. The image of Spanish banks has improved dramatically in recent years, not only at home but especially abroad. He cited that in the latest international bank ranking produced by *Euromoney* magazine, all the Spanish banks were among the best one-hundred in the world and one of them came in first place. It is an auspicious starting point from which to tackle the challenges of the 1990s. Ω

Chamber Hosts New York State Investment Luncheon

L to R: Sara Jane Demy of DED, Diederik Advocaat of UDC, Mercedes Mestre of Korn/Ferry Int'l, Barry Spaulding of DED.

Held at the New York State's Department of Economic Development (DED) offices, in February, the Spain-USA Chamber of Commerce hosted a business luncheon on "Foreign Direct Investment Opportunities in New York State."

On behalf of the Chamber, Mercedes Mestre of Korn/Ferry International and member of the Chamber's Board of Directors, welcomed the guests to the luncheon.

Barry Spaulding, DED's Deputy Commissioner of the International Division, described his office's mandate as threefold: to actively coordinate with companies coming to New York State; to help New York firms going abroad to access the international market; and to aid in the establishment of international partnership programs. He stated that New York State was among the first states to promote foreign direct investment. He underscored the fact that New York is not just New York City, a belief commonly held abroad. Rather, it is a large state with a diversified economy and a highly trained work force.

Sara Jane Demy, Manager of DED's Bureau of Foreign Direct Investment, pointed out that as long as a foreign company creates or retains even one single job, DED provides it with assistance services for free. These services include researching potential locations to set up operations; researching existing facilities that the foreign company could utilize; conducting tours of these sites; and introducing company executives to local officials. Once the company decides on the location, DED assists them in obtaining necessary permits and environmental approvals. It even helps companies work through immigration problems and assists executives in finding appropriate housing, as well as aid in creating job training programs.

Notably, investment incentives offered to foreign firms are equal to those offered to domestic companies. DED finances a substantial portion of investment in New York State, namely 40% to 89% of a company's initial fixed capital investment. Additionally, a firm can obtain up to 9% in tax investment credit on up to 89% of that initial fixed capital investment.

Later in the presentation, Robert Dormer, the President of the Job Development Agency (JDA), the State's $600 million Economic Development Bank, discussed how the JDA assists with the financing needs of companies in the state that wish to expand or build new facilities. Nearly every type of business in the State is eligible for JDA assistance. However, the primary loan and loan guarantee programs may not be used for retail establishment, hotels and apartment buildings.

JDA may lend up to 40% of project costs in connection with the construction, acquisition, rehabilitation or improvement of industrial or manufacturing plants, research and development facilities, or the acquisition of machinery and equipment to be used and located within the state. JDA loans, not made for working capital, can be made in the form of a second mortgage, and are executed through non-profit local development corporations, of which there are more than one hundred in the State. These loans, of twenty-five thousand to twenty-five million dollars, are made with the proceeds of State-guaranteed bonds or notes issued by JDA. As a convenience to the firm, JDA deals with foreign banks when financing transactions.

In addition, JDA provides guarantees of bank loans of up to 80% of project costs. Eligibility requirements for loan guarantees are the same as for direct loans. Economic development zones were created to stimulate business and employment growth in selected areas of the State.

In the last presentation, Diederik Advocaat, Project Manager of the Urban Development Corp (UDC), informed the Chamber members and guests that the UDC provides below market rates on loans and grants to companies that cannot obtain financing through banks, or to firms that need an incentive not to re-locate out of state. Assistance is based on the creation of jobs, at a rate of fifteen thousand dollars per job created/retained.

A lively question and answer period followed the presentations.

The discussion focused primarily on the factors that differentiate New York State from other states, highlighting the proximity to markets for shipping and travelling as well as the consistency in high quality of the labor. The tremendous water supply of the state allows air conditioning and heating to be lower than in states that have problems with their water supply. DED stated that the cost of office space in New York City has decreased over the past few years.

Several Chamber members stressed that it is imperative to impress on Spanish firms that New York State is much more than New York City - that it is a large state with a diversified economy. Ω

For additional information regarding Foreign Direct Investment in New York State, contact the New York State Department of Economic Development, International Division, at (212) 827-6200.

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The EACC Continues Without Netherlands

A few months ago we announced in the pages of this magazine the establishment of the European-American Chamber of Commerce in the United States. During this period the member-state bilateral chambers of the European Community in the United States have been discussing and working on ways that would enhance the range of services available to our members.

Progress has been slow despite the desire of the eleven bilateral chambers, including the Spain-USA Chamber of Commerce, to create a unifies entity, the Netherlands Chamber set up its own organization and a final cooperative agreement has not been reached.

On behalf of the Spain-USA Chamber of Commerce and the other ten bilateral chambers, we have decided to proceed our way and create the sort of organization and provide the services which many of the five thousand or more members of the bilateral chambers are actively seeking.

Our primary responsibility be the wide range and member companies involved in transatlantic business. We see the importance for our members to establish the European-American Chamber as a platform for presenting the business view on matters affecting trade and investment, through our relationships with the relevant U.S. government departments, the European Commission, and the member state governments. We also recognize the need to provide information on US/EC trade relations to our smaller members through an array of activities.

Please watch for further updates on the EACC in *The Business Link* and our newsletter *Link Letter*. We hope you all will be able to make use of this vital organization. Ω

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(Correction: Windels Marx Davies & Ives was a 1990 sustaining member)

L to R: Miguel Sebastiá, the Chamber; José Antonijuan, Commercial Office; Mehdi Hojjat, Lehigh Univ.; Juan Durán, ENISA; Ricardo Gómez-Acebo, Banesto; Paul Hanks, Lehigh Univ.

"Doing Business in Spain" Seminar at Lehigh University

On February 15, Lehigh University's International Trade Development Program, in conjunction with other organizations, brought together representatives of over 25 important Spanish public and private sector organizations and Lehigh Valley firms to discuss trade and investment opportunities in Spain.

After a brief introduction by seminar coordinator Mr. Paul Hanks and the International Trade Development Program director, Dr. Mehdi Hojjat, the featured speakers from Spain addressed a wide range of pertinent trade and investment topics. An overall economic snapshot of Spain was concisely presented by Mr. José Antonijuan from Spain's Commercial Office in New York. Mr. Juan Durán, the director of industrial promotion of ENISA, the national innovation agency, successfully untangled the myriad of regional and government investment incentives available to foreign direct investors.

In an apt summary of the banking industry in Spain, Mr. Ricardo Gómez-Acebo, director of Banco Español de Crédito's New York Regional Office, explained the important role of Spanish banks which, unlike their American counterparts, offer both commercial and investment banking services as espoused by the "universal" banking model. The last presentation featured Mr. Miguel Sebastiá, Executive Director of the Spain-USA Chamber of Commerce who highlighted the unprecedented openness of Spain's investment climate and the willingness of public officials to attract and work with foreign investors. As an example of this reinvigorated business culture, Mr. Sebastiá pointed to increased aggressiveness of Spanish firms to compete globally in their aim to better employ brand marketing techniques in foreign markets including the United States. Ω

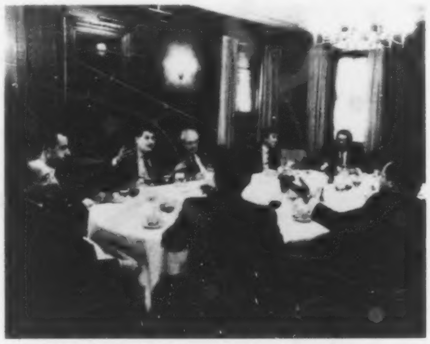
President of Castilla-León Honored

In March, the Spain-USA Chamber of Commerce hosted a luncheon in honor of Jesús Posada, President of the Regional Government of Castilla-León at the University Club in NYC. Mr. Posada discussed with senior executives of the Spain-USA business community the projects that his government is developing.

He stressed that Castilla-León seeks to establish stronger commercial ties with the USA, particularly through business relations with top-level executives in NYC.

The President was accompanied by two members of his government, Miguel Pérez, Commissioner of Economy and First Vice President, and Isaias López, the Secretary General. Also present were Ambassador Miguel de Aldasoro, Consul General of Spain in NY; Mariano Muela, Trade Commissioner; and Francisco Girón, Director of the National Tourist Office of Spain in New York.

The President of the Chamber, Ricardo Jové, presented President Posada to senior executives of Spanish banks, including Ignacio Eguiluz of Banco Bilbao-Vizcaya; José Peces of Banco Español de Crédito; and Marcial Portela of Extebank. Also in attendance was Miguel Sebastiá, Executive Director of the Chamber. Ω



Castilla-León President with Chamber guests.

Castilla-León Parliament Head Visits NY

A breakfast in honor of the President of the Regional Parliament of Castilla-León, Carlos Sánchez, was offered by the Spain-USA Chamber of Commerce in cooperation with the United States Information Agency (U.S.I.A.).

Mr. Sánchez spoke about the economic situation of Castilla-León and was introduced to senior executives of the Spain-USA business community based in NYC. He was accompanied by Manuel Estella, the Attorney General of the Province of Salamanca and First Vice President of the Parliament, Dionisio Llamazares, the Second Vice President, and José Luis de María Pena, Chief of Staff and Secretary General.

Bernard James Seubert of the U.S.I.A. and Ute Sachs of the U.S. State Department attended the breakfast, along with Javier Collar, Consul of Spain in New York City, Olimpio Fernández of Banco Atlántico, Guillermo Garriz of Banco Hispano-Americano, and Alfonso González of Banco Central. Ω

People at the Chamber

New Faces at the Chamber

Luz Marina Díaz recently joined the Chamber's staff as an editorial and marketing assistant of *The Business Link* and as a Chamber membership services associate. A top priority of Ms. Díaz will be to reinstate the Juniors Club program, which organizes activities of particular interest to junior executives of the Spain-USA business community. Currently Ms. Díaz is pursuing a degree in fashion design at the Fashion Institute of Technology, with a specialty in women's apparel. She holds a B.A. in business administration, with a concentration in finance, from Temple University in Philadelphia, PA. Ms. Díaz is a native of Venezuela and resides in Manhattan.

Luz Marina Díaz

Helena García

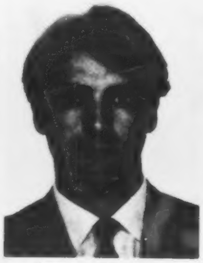
Albert Almazor

Helena García recently joined the chamber to coordinate the updating of the Chambers Trade and Membership Directory, the best and most comprehensive guide for Spain/US businesses. Her experience in computer systems will be a major asset when she begins to reorganize the Chamber's current system. Helena's energy in assisting the coordination of a major project for the Chamber in 1991—the Trade Promotion tour for the US and Canada—augur for the successful organization of an ambitious and unique project. In December 1990 Ms. García received an MBA from Kutztown University in Kutztown PA. In 1988 she received a liberal arts degree with a major in French Language and Literature from the Universidad de Valladolid. Ms. García was born in Aranda de Duero (Burgos), has lived extensively in France and England, and currently resides in Manhattan.

Chamber Interns

Albert Almazor is an intern at the Chamber who currently is involved in several projects. He is implementing a cost-accounting system by departments in order to optimize the Chamber's resources in the development of these projects. In addition, he is involved in the up-dating of the Trade and Membership Directory. Mr. Almazor has come to the Chamber to complete a practical training requirement to finish his MBA in International Commerce from the Escuela Superior de Administración y Dirección de Empresas (ESADE) in Barcelona, Spain. In 1988 he received a law degree from the Universitat de Barcelona. Mr. Almazor worked with a transport company, analyzing their financial status. He speaks five languages, is from Barcelona and resides in Manhattan.

Salvador Ruiz


Lander Unzueta

René de la Vega

Salvador Ruiz fulfilled a hands-on training requirement for the completion of his masters degree in foreign trade from the Universidad de Murcia, Spain, by becoming an intern at the Chamber. Independently he conducted marketing studies and ably assisted the Chamber with its special projects. Currently Mr. Ruiz is pursuing a doctorate at the Universidad de Murcia, where he obtained an undergraduate degree in economics and business administration. For several years at that same university he has taught marketing courses to fifth year students who are studying for masters degrees.

Lander Unzueta is an intern at the Chamber. Currently he is conducting research on various sectors of the Spain-USA market, those which are rapidly modernizing and "up-and-coming," as well as those that for years have been profitable mainstays of trade and commerce between those two countries. As part of his study, he is contacting senior executives from important companies in these sectors who will provide him with statistics and detailed information on their firm, sector, and market. Information from his findings will be included in articles and reports in the 1991-92 edition of the Chamber's Trade and Membership Directory. Mr. Unzueta is interning at the Chamber to complete a requirement for a M.B.A. in International Commerce from the Escuela Superior de Administración y Dirección de Empresas (ESADE) in Barcelona, Spain. In 1987 he received a degree in medicine from the Universidad de Barcelona. Mr. Unzueta speaks four languages. He was born in San Sebastian, has lived in Los Angeles, and currently resides in Manhattan.

René de la Vega left the Chamber this year after completing a one year internship during which he assisted in the preparation of the Chamber's special events and conducted market research. Currently Mr. de la Vega is pursuing a masters degree in international management at the American Graduate School of International Management, widely known as Thunderbird, in Glendale, AZ. He graduated in May 1989 from Columbia University, New York, N.Y. with a degree in history. Mr. de la Vega was born in Munich, Germany and lived in Spain for many years.

Spanish Organization Reps at the Chamber

Ignacio Ravell recently took charge of the New York division of the Institución Ferial de Madrid, Madrid's trade fair organization known as IFEMA, which uses the Chamber as a logistical base. His goal is to publicize in the USA the 40 national and international fairs and exhibitions that are held annually in Madrid. Since yearly these fairs attract 15,000 exhibitors from over 350 sectors, 500,000 professional visitors from 120 countries, and 2.5 million general public visitors, he plans to promote these fairs as crucial to the U.S. business person who must keep abreast of sector developments and trends. The IFEMA newsletter, received by top U.S. organizations from varied sectors, includes details on up-coming fairs, reviews of past fairs, and has a calendar of events in Madrid. He is experienced in the trade fair industry, as he worked for two years in the commercial department of Prosema, an organization which promotes the Spanish agricultural sector by organizing fair and exhibits throughout Spain and abroad. Mr. Ravell studied marketing at the Escuela de Administración de Empresas de Barcelona (EAE). He plans to study sociology at one of New York's universities next semester. Mr. Ravell is a native of Barcelona and resides in Manhattan.

Marta Ruigómez

Ignacio Ravell

Marta Ruigómez is the 1991 Foreign Trade Advisor from the Madrid Chamber of Commerce in New York City, and will use the Chamber as a logistical base. Ms. Ruigómez is conducting marketing research on industry sectors as varied as processed foods, optics, air conditioning systems, industrial windows and doors, and lighting fixtures. To complete these studies she plans to interview senior executives from top companies in these sectors, and will include her findings and conclusions in comprehensive reports. In addition, Ms. Ruigómez will seek to promote Madrid's exports and foster investment in Madrid by U.S. companies. She will research trade opportunities between the two countries and provide information to interested parties. The Chamber will cooperate in this regard.

Ms. Ruigómez holds a B.S. degree in international finance from Madrid's ICADE School of Business of the Universidad Pontifica de Comillas. She was a summer intern at Citibank España in Bilbao, where she got hands-on experience in the operations of a U.S. bank branch in Spain. She has taken various seminars on currency exchange controls and international monetary markets, and currently is taking a course on international marketing strategies at New York University. Ms. Ruigómez is a native of Madrid, lived for a year in Ireland, and resides in Manhattan. Ω

Chamber Welcomes Fulbright Scholar

As part of the United States Information Agency's (USIA) Fulbright Scholarship program for senior foreign journalists and editors, the Spain-USA Chamber of Commerce sponsored a reception and luncheon on behalf of grant recipient Ms. María Buhigas. As the editor of *La Gaceta de los Negocios*, a leading financial daily newspaper in Spain, Ms. Buhigas had a unique opportunity to learn more about business journalism in the U.S. as she visited select business media and journalistic organizations during her two month tour of the country.

Joining Ms. Buhigas at the Chamber were Chamber Director Michael Bennis, Chamber President Ricardo Jové, *Forbes* magazine reporter David Stix, *The Business Link* magazine Editor-in-Chief Alex Robarts and a USIA translator. Ms. Buhigas was able to ask questions about and discuss business reporting in New York City and the magazine industry as well as the Chamber's mission to enhance business relations between Spain and the U.S. and the role of its business publications in achieving this goal. Ω

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The Recession That Wasn't Necessary

BY DR. IRWIN L. KELLNER

If a half-dozen years ago, we had set out to deliberately end an economic expansion, put a ceiling on such big-ticket purchases as new houses and cars, to depress the real estate market for the first time since the 1930s, to deal a body blow to the financial system by eroding confidence in banks, to reduce the effectiveness of monetary policy, and to widen Washington's budget deficit while causing states and local governments to run red ink of their own, we could not have done a better job than we actually did.

I am referring, of course, to the passage of the Tax "Reform" Act of 1986, the unprecedented tightening of money by the Federal Reserve in 1988-89, as well as to a number of actions, such as requiring higher capital-to-loan ratios, and forcing some banks to declare certain loans "non-performing," even though interest and principal were being paid on schedule.

These developments are what led to our ninth postwar recession—not the invasion of Kuwait by Iraq. And while business downturns are nothing new—we've experienced at least 30 since records were first kept 140 years ago—this one is somewhat different.

For one thing, it has affected occupations that in the past were barely touched. People working in such "white collar" positions as lawyers, accountants, the media, commercial and investment bankers, stockbrokers, and real estate personnel including architects, interior designers, brokers and construction personnel have not only lost jobs en masse—they've also had significant difficulty finding new jobs in their fields.

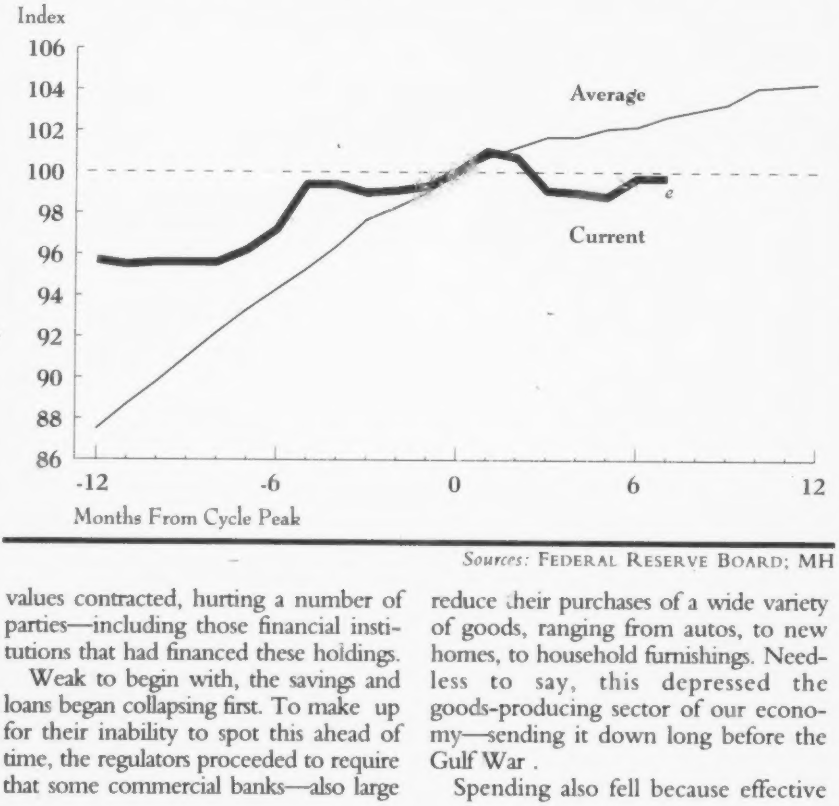
Second, real estate values have been plummeting in most parts of the country. This in turn, has depressed consumer confidence in a way that the stock market crashes of 1987 and 1989 couldn't because it has undermined the value of the average family's biggest asset—its home.

Third, it was precipitated—and is still being accompanied—by a "credit crunch." This is a situation where many would-be borrowers find it increasingly difficult to obtain a loan from their bank. Needless to say, such apparent unwillingness of the banks to lend money could deepen the current downturn—not to mention delay the beginning of the next recovery.

The Tax Act of 1986 started the ball rolling by suddenly changing the rules for investing in real estate. Thanks in part to the 1981 tax law, real estate had been a sought-after investment, pushing up values considerably. Soaring stock prices from 1982-87 gave real estate a further boost.

But changes made in 1986 in the interest of tax equality served to stifle economic growth by reducing incentives to invest—especially in real estate. For example, "passive investors" were deprived of such normal tax deductions as mortgage interest, taxes and depreciation. This effectively made it more costly to invest. Then capital gains taxes were raised from 20 percent to 28 percent. The net result was that real estate suddenly became uneconomical. As investors sold their holdings, real estate values contracted, hurting a number of parties—including those financial institutions that had financed these holdings.

Commercial Industrial Loans: Current Experience vs. Average of Prior 8 Cycles



Sources: FEDERAL RESERVE BOARD; MH

Weak to begin with, the savings and loans began collapsing first. To make up for their inability to spot this ahead of time, the regulators proceeded to require that some commercial banks—also large lenders to real estate—write down the value of their real estate loans. This, of course, led to big increases in loan losses, impaired profitability, and lower prices for many bank stocks. Meanwhile, the Fed and its central bank counterparts in many other countries was in the process of raising the amount of capital the banks had to have behind their loans. In view of the sudden deterioration in their loan portfolios—not to mention the steep decline in prices of their shares—the only way the banks could comply was to cut back on new lending. Therein lies the origin of today's credit crunch.

> On top of this, the Fed decided to tighten monetary policy to a degree not seen since the 1930s

If this were not enough, the fall in confidence caused by the drop in the value of people's homes caused them to reduce their purchases of a wide variety of goods, ranging from autos, to new homes, to household furnishings. Needless to say, this depressed the goods-producing sector of our economy—sending it down long before the Gulf War .

Spending also fell because effective buying power was decimated by two other provisions of the 1986 tax act: the elimination of the deductions for sales taxes and for interest on most consumer loans. Subsequent sharp increases in Social Security taxes, as well as those on alcohol and tobacco, gasoline,and "luxuries," ensured that consumer spending, which represents two-thirds of the gross national product, would tumble, and with it, the rest of the economy. On top of this, the Fed decided to tighten monetary policy to a degree not seen since the 1930s. Bank reserves in 1989 fell by about the largest percentage in the postwar era, while money growth since then has been almost nonexistent. The yield curve went negative, too.

And, in a case of extremely poor timing, Washington has begun to talk about reducing deposit insurance coverage, as part of restructuring the banking system. Once again, with seemingly laudable interests at heart — in this case, avoiding another taxpayer financial industry bailout— politicians are effectively choking the economy. It has been reported in the financial press that a number of large corporate and individual depositors have begun to withdraw all but FDIC insured funds from some banks. Indeed, there have been a few instances of smaller, "country" banks, refusing to lend their excess funds to some bigger money-center banks. Instead, these funds are being kept idle, or invested in Treasury instruments.

This has not only worsened the credit crunch by impairing the banks' ability to lend—it has also weakened materially the effectiveness of monetary policy as the Fed tries to jump-start the economy.

And it boggles the mind that, in today's environment, some people would want the banks to "mark to market", in other words, to carry long-term loans at current market prices. You can see where a temporary decline in asset values could have a deleterious effect on loan "quality," thus on provisions for bad loans, profits, and bank capital. Ω

DR. IRWIN KELLNER *is Chief Economist at Manufacturers Hanover Bank in NY.*

Selecting Your Niche in The Global Marketplace

Small business should base its international strategy on picking the right markets and identifying reliable contacts

By Mehdi Hojjat

Small businesses of the world should be aware that the world is their marketplace. For these companies, the global marketplace represents $4 trillion in business opportunities. In 1991, this market is expected to grow at a rate of 5 percent. The U.S. share of this global market is about 20 percent. Therefore, by not selling your products abroad, you are ignoring 80 percent of your market.

In the 1990s, only the firms that can think globally are going to survive locally . Exporting has become a necessary ingredient in the growth of small businesses. Among the many many good reasons for exporting are profit and growth opportunities, diversity of sales base, economies of scale in production and marketing, and extension of product life cycle.

U.S firms should design and manufacture their products not just for their own domestic markets but for the world market. Although many small businesses consider international trade as a domain of large corporations, three recent trends in the world economy have been helping them to understand the importance of exporting:

First, The single European Act of 1987, which calls for the establishment of "an area without frontiers, in which the free movement of goods, persons, services, and capital is ensured, amounts to a binding commitment of part of the European Community (EC) to create a unified internal market by the end of 1992. The single market program will have important effects on the pattern of trade in the world. However, the publicity about the single market program has already created a tremendous interest among small businesses to venture into the global marketplace.

Second, after more than eight years of expansion, global economic activity continues to grow rapidly in an environment of relatively moderate inflation. This expansion of world economy has been accompanied by a strengthening of the process of international cooperation among Eastern and Western block countries. In both Eastern and Western Europe, small business have high expectations regarding the integration of their domestic economies into the global marketplace. This process will create additional opportunities for small businesses in the United States.

U.S.-Canada Free Trade Agreement (FTA)

The United States and Canada are the world's largest trading partners, exchanging goods and services totaling about $220 billion in 1989. This impressive U.S. - Canada economic and commercial relationship has flourished based on geography, cultural, and historic similarities and despite the barriers on both sides of the border. The U.S. - Canada Free Trade Agreement which was implemented on January 1, 1989, eliminates all bilateral tariffs over the next 10 years and opens the door to a new opportunity for small businesses.

Given these tremendous opportunities in international markets, small businesses may want to commit energy and resources to formulate and implement an international marketing plan. This formula should be based on two principals: first, selecting the right markets for your products and, secondly, identifying reliable contacts in those markets.

Selecting International Markets

For new-to-export firms, foreign market research should be focused on selecting three to four countries that promise the most potential export sales. These markets can be identified through an extensive screening process.

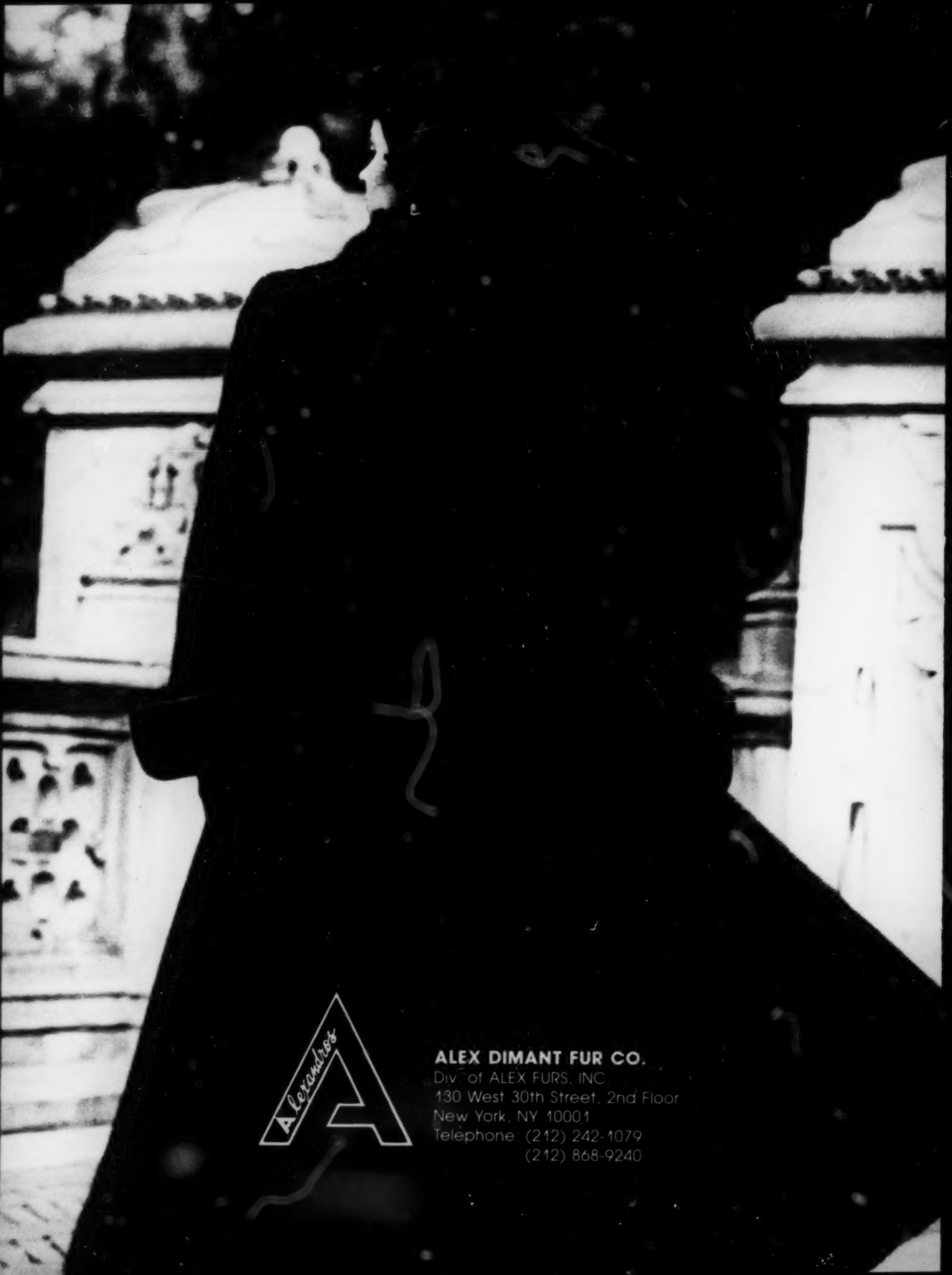
First, one should make a list of countries that need your product. Two main sources of information are U.S. Merchandise Trade: Exports, General Imports - Commodity by Country known as FT925 which lists the export value of 4500 commodities to 160 countries published by the U.S Department of Commerce and Foreign Agricultural Trade of the United States published by U.S. Department of Agriculture. A source of statistics is Export Information System (XIS), developed under contract by the U.S Small Business Administration. XIS reports for any products that are available from regional offices of the SBA.

Environmental Factors Are Important

From the list of countries, try to eliminate those where business is likely to be difficult due to economic, political and cultural factors. The result should be a list of approximately 8 countries.

For this screening you can use the following resources: International Financial Statistics published by the IMF, Business America, Foreign Economic Trends, Overseas Business Report published by the U.S. Department of Commerce, and the U.S. Department of Commerce Country Desk Officers.

Certain areas of the world can be



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automatically eliminated as potential markets. If a country is a valid exporter of a certain commodity, you may assume that U.S. exports of the same commodity will not do well in that market.

For this information you may contact the Foreign Agricultural Service of the U.S. Department of Agriculture. Individual specialists for each commodity to be exported provide the necessary marketing and analytical information free of charge.

Research Target Markets

At this stage you need to evaluate competition, consumer, and product factors. Make a series of comparisons between features of your products and those products manufactured in or imported into the countries on your list.

To collect information at this stage, contact trade offices of foreign countries in New York City and look at such publications as your own trade journal, Made in Europe, World trade Index, Bottin International, ABC Europ Production, or utilize the Comparison Shopping Services of the U.S. Department of Commerce. Industry specialists of both U.S. Departments of Commerce and Agriculture are also a useful source of marketing information.

Identifying Contacts in Selected International Markets

There are two basic alternatives to exporting: (A) indirect method, and (B) the direct method.

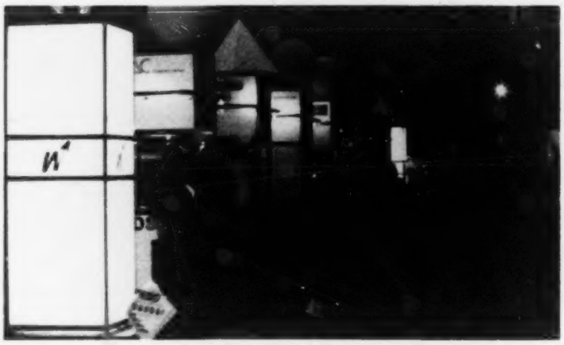
If you choose the indirect method, you will be dealing with an export trading company (EMC). For a list of EMCs in your area, consult Partners in Export Trade, a U.S. Department of Commerce publication; as well as The International Trade Resource Directory for Pennsylvania, a U.S. Small Business Administration publication that is free of charge.

One of the drawbacks of indirect exporting is lack of control on export operation. Also, it frequently results in a lower level of export sales because of smaller marketing efforts involved.

In marketing directly, you must search for and appoint your own overseas distributors, importers (brokers), salespeople or agents. There are three inexpensive but effective channels available for small exporters to identify and appoint agents and distributors in international markets: (i) advertising in selected journals, (ii) obtaining trade leads, (iii) participating in an international trade show.

Advertising in International Trade Journals

To attract foreign representation for your products, you can advertise in a U.S. trade journal which has a substantial international circulation. In addition, advertising in trade journals circulated in the selected international markets has handsomely paid for some small exporters.



U.S. Pavilion at a Chicago trade show

You can also use the export product promotion services of the U.S. Department of Commerce. For example, for $250, Commercial News USA advertises your products globally as well as in a specific region of the world.

The Buyer Alert Program is an advertising program offered through the Foreign Agricultural Service. Specific information about your product is forwarded to foreign importers using the Buyer Alert Service in their country. Contacts is another advertising medium offered for U.S. agricultural products. Here, exporters are permitted to introduce an entire product line. Both advertising mediums are free of charge to the U.S. exporter.

Obtaining Trade Leads

To identify agents or distributors in the targeted countries the following sources are particularly recommended: The Journal of Commerce, Export Leads, Trade Channel (published in the Netherlands), and International Round Table (published in Florida). Also, Xportnow is a name of a data base which includes foreign contacts, These sources list trade leads including direct sales opportunities, overseas representation opportunities, and foreign government tenders.

Exporters can do their own product promotion and get assistance from AIMS (Agricultural Information and Marketing Services). The AIMS data base provides the exporter with names, addresses, and phone numbers of interested foreign buyers/distributors, for $150 per country, the U.S. & Foreign Commercial Service agents identify up to six interested representatives in a given market.

Banks and foreign commercial offices can be another source of assistance in locating overseas representation.

Participating in International Trade Shows

Attending an international trade show reduces the export entry time by 3 to 6 months. A list of trade shows is printed in Business America, as well as in Export Briefs, a weekly publication distributed by the Department of Agriculture. An annual subscription to this publication is $75. A similar list is maintained and regularly updated by the Pennsylvania Department of Commerce. The same advantage can be obtained by attending trade missions and match-making programs which are sponsored by the U.S. Department of Commerce and the Small Business Administration. The Foreign Agricultural Service (FAS) arranges personal visits with foreign buyers through its sales team program where five or six U.S. firms with good export potential participate in a coordinated sales mission. Also, Reed Exhibition Companies publishes a catalogue of international trade fairs which is available free of charge by contacting the company at (213) 964-0000. Ω

DR. HOJJAT *is the Director of the International Trade Development Program at Lehigh University, in Bethlehem, PA. The program specializes in developing and implementing export trade plans.*

Telefónica Embarks On an Aggressive U.S. Marketing Drive

Telefónica's strategy is to persuade multinationals to locate at least one of their network hubs in Spain

BY ADOLFO SUAREZ

Since it opened in 1987 as a financial support office servicing U.S. shareholders, New York-based Telefónica USA has grown to include support for all of Telefónica's activities related to the U.S. and Canada. Telefónica USA pays particular attention to the promotion of international and domestic services of Telefónica, especially to customers in the business sector.

Due to the recent success of the Spanish economy and the importance of telecommunications as a basic component (factor, resource) in today's business world, Telefónica faces two challenges.

The first challenge is the improvement of its product line. Telefónica is investing $28 billion in upgrading the Spanish telecommunications infrastructure to include things such as digital switching and fiber optic lines, as well as expanding the number of lines form the 1990 figure of 30 per 100 people to the European average of 40. The equivalent U.S. figure is 41.

Telefónica is also enhancing its product value by adding sophistication to its network. For example, it is implementing in 1991 the first phase of what is called the "Intelligent Network", and it is expanding on a plethora of value added services to increase the traffic originated by the business customer.

The second challenge that Telefónica faces is a cultural one: to become a market-driven company. Telefónica is currently one of the largest, if not the largest, companies in Spain and is growing at a very spectacular rate—18.3% from 1989 to 1990. Last year's revenues were $8.9 billion and its stock has been performing very well on five stock exchanges outside Spain including: New York, London, Frankfurt, Tokyo and Paris.

Telefónica has taken an active role in Latin American privatization

To change the culture in a large organization is always a long and arduous task, but if that is coupled with the fact that Telefónica has been enjoying a monopoly, or virtual monopoly, in the telecommunications market in Spain, the challenge becomes a very serious one indeed. This transformation from a monopoly mentality to a competitive market-driven company is still in progress here in the U.S. at several of the most aggressive regional telephone operating companies.

To succeed in this challenge, Telefónica has some "aces up its sleeve." Unlike most of the other telecommunications operators, Telefónica is not a PTT, which means two things: on the one hand, it is not burdened by the postal service (generally a money losing operation), and on the other, it is not part of the Administration. Telefónica is mostly privately-owned company (approx. 70%) and its stock is publicly traded around the world. Its internal dynamics are more likely to be driven by market forces than by, say, political intervention.

Another ace up Telefónica's sleeve is its international operations. Unlike other telecommunications companies, Telefónica has been for some time now an important player in the international arena. For instance, Telefónica currently has the third largest submarine cable network worldwide corresponding to 20% of total capacity after AT&T and the British operators.

Market Penetration Means Market-Driven

A highly publicized activity of Telefónica is its participation in the process of privatization that is taking place in several Latin American telephone companies. Telefónica holds currently around 40% of the stock of CTC, the domestic telephone company of Chile, and it also participates in Entel Chile which is the long distance Chilean telecommunications operator. Last year Telefónica was awarded the winning bid in the privatization of the Argentine telephone company.

The privatization split the telephone network in Argentina into two parts: north and south. Telefónica could choose and it chose the South portion that includes the Buenos Aires financial district. On the other hand, Telefónica lost a recent bid for a participation in the ownership of Telmex, the Mexican, telephone company but it has good prospects in other bids currently under way in the region.

All these international activities are giving Telefónica an advantage in its effort to become a market-driven company that a lot of the other European companies do not have. For example, the challenge to improve the telephone service in countries like Chile and Argentina will require Telefónica to tackle problems that in some cases will be tougher than the ones that it would encounter in a more mature network. Also, the regulatory situation in some of these countries is different than the one in Europe requiring a different market behavior on the part of the telecom operators.

All this experience is giving Telefónica new perspectives which are not available to other European operations that do not venture into foreign markets. The Telefónica participation in international forums such as the satellite associations and the cable consortiums as well as a long list of other international organizations provides the company with additional ways to understand market trends and customer service demands.

Telefónica USA is part of Telefónica's drive both into the international arena and into the market driven culture.. Mandate is to bring Telefónica closer to the U.S. market. This is a dual role. On the one had it will facilitate the U.S.-based Telefónica customer to do business with Spain. On the other hand it will help Telefónica understand the market behavior and opportunities of the most dynamic telecommunications environment in the world.

> **All this international experience is giving Telefónica new perspectives which are not available to other European operations that do not venture into foreign markets**

One of the ways in which Telefónica USA seeks to serve the U.S. business customer is by providing local customer interface abroad. Planning and contracting telecommunications services overseas can be a disheartening proposition to the average American business. There are different standards, cultures, languages and to top it all, there is typically a time difference between six and nine hours. By becoming a bridge across culture, language and time differences, Telefónica USA is seeking to attract U.S. clients.

A "Hub" Strategy

One of the difficulties that Telefónica usually encounters when competing for U.S. institutional clients is the location of the European headquarters of the U.S. company. Typically these offices are located in London, Paris and Brussels, and the U.S. company tends to base their communication centers around that European headquarters. The international services most often needed by the institutional customer are leased circuits and "hub" services.

Telefónica's FIVE-YEAR PLAN 1990-1994

- **$30 Billion Investment in Network improvement**
- **40 telephones per inhabitants**
- **17 million lines installed**
- **82% of trunk lines to be digital**
- **56% of local lines to be digital**

A lease circuit is a point to point dedicated facility that connects two customer premises. A "hub" refers to communication centers that concentrate traffic from different leased circuits into a higher capacity leased line. Typically a U.S. company would lease a high capacity circuit across the Atlantic between a U.S. location and its European "hub" from which it would have additional leased circuits of lower capacity to its main European facilities.

Telefónica USA's strategy is to persuade U.S. businesses to either locate its main hub in Spain or at least one additional hub connected to their European headquarters. This second alternative is becoming more and more common as companies seek route diversification, a strategy that reflects the volume of the business communications capacities in the transatlantic leased circuits. In Telefónica's scenario the traffic of the U.S. company will be divided in two streams, one going to their European headquarters and other to Spain where by using the new fiber-optic network it will be routed to a "hub" in Spain. From this hub it can access the rest of the European offices simultaneously with the lines from the primary "hub". This structure will provide the U.S. company with a safer communication network than the classic single, "big pipe" approach.

Telefónica USA can be instrumental in providing vital communication services to US companies that are either establishing or expanding their operations in Spain. Telefónica is currently working with MCI and ATT in the interconnection of Telefónica's IBERCOM to the VNET service of MCI and to the GSDN service of ATT. Virtual Private Networks allow, among other things, a company to dial any extension in any of its branches with an abbreviated 7 digit number independently of its location. This will be possible now from and to Spain so that a U.S. company can dial its subsidiary in Spain as if it were a local call to any other location in its private network. This service can also be a definitive plus when a U.S. company is considering to establish operations in Spain.

Telefónica's involvement in Latin America will result in additional opportunities to serve the U.S. customer not only in Spain and Europe but also in an area where typically U.S. companies have difficulties in operating. Not only is Telefónica now managing some telephone companies in the area but it has direct operational relationships with all the telephone companies in Latin America. This may result in some cases in projecting more a clout with the U.S. customer when trying to obtain resolutions on certain issues, than with the local telecommunications operator. Ω

ADOLFO SUAREZ *is the General Manager and Marketing Director for Telefónica USA in New York City.*

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Europistas and the Motorway Industry in Spain

Established in 1968 to undertake the construction, maintenance and operation of the toll motorway running between Bilbao and Behobia, Europistas has the unique advantage of being provided special loans from the State

BY RESEARCH ASSOCIATES

In 1989 the Spanish motorway industry produced revenues of ptas. 74.6bn ($746m) and cash flow of Ptas. 22.6bn. The sharp increase in toll revenues (+16%) was a result of rapid traffic growth and, to a lesser degree, of tariff revisions. Thus, the industry has recorded strong growth for three years in a row.

The motorways' most important cost factor is interest expenses (aggregate of Ptas. 33.2.bn, or 45% of toll revenues for the industry in 1989). Foreign exchange differences on the industry's sizeable external borrowings are covered be the State, although companies (except the weakest ones) are forced now to fund their refinancings in relatively expensive Ecus due to its stability vis-a-vis the Spanish peseta.

Industry Indebtedness in Decline

The industry is posed for a moderate but sustained growth. Milder traffic density is presently being offset by increased tariffs. The ability to increase tolls as needed should be considered a positive development now that the inflation-linked mechanism makes tariff adjustments a technical rather than a political decision. Price sensitivity remains an issue, although much of its impact depends on there being alternative roadways. In this sense, the complementary nature of the toll-free highway network should be considered a bonus rather than a threat to the to the existing toll motorways. From a financial perspective, although leverage is still high, formal indebtedness has already peaked and is being reduced gradually.

The market capitalization of the four motorway companies which are publicly traded, including Acesa, Europistas,

Comparative Results as of 12/31/89 (Ptas. million)

Concessionaire	*Toll Revenues*	*Net Income*	*FFO*	*Tangible Net Worth*	*Financial Leverage*
Acesa	30,641	11,259	15,589	101,368	0.6
Aumar	17,277	6,663	8,191	76,008	1.6
Avasa	8,317	625	1,052	25,202	3.3
Europistas	**6,911**	**2,528**	**2,683**	**30,309**	**1.0**
Iberpistas	4,051	244	2,418	25,434	0.5
Audasa	2,662	(1,933)	(1,674)	17,713	4.5
Eurovías	2,157	(306)	(722)	9,101	4.2
Aucalsa	1,335	(3,788)	(3,720)	24,448	3.0
Audenasa	1,228	0	(1,221)	17,392	1.7
Total	74,579	15,292	22,596	326,975	1.6

Source: RESEARCH ASSOCIATES

Aumar and Iberpistas, amounted to Ptas. 232bn, down 15% since the beginning of the year (against a 27% drop in the general index). Given the utility nature of the business (straightforward operations with more or less predictable returns) no large swings in value should be expected. In addition to being a defensive investment, dividend yield is attractive considering the additional enticement of an upswing in value once the markets return to normal conditions. Also, the price-earnings and price-cash flow multiples are not very demanding.

Europistas Receives Non-Interest Cash Advances

Europistas was established in 1968 to undertake the construction, maintenance and operation of the motorway running between Bilbao and Behobia at the French/Spanish border. The motorway concessionaire comprises a total of 106Kms. and will be handed over to the State in 2003. Europistas' major shareholders are Ferrovial, the large Spanish construction company (27%), C.A. Municipal de Bilbao (6.5%), C.A. Vizcaína (8%) and C.A. Municipal de San Sebastián (6%). On September 1988, Europistas shares were listed in the Madrid and Bilbao stock exchanges.

One of Europistas distinct features is that the State provides cash advances equivalent to the difference between toll revenues corresponding to an average daily traffic volume of 19,800 vehicles and those actually recorded, provided the gap does not exceed 2,500 vehicles per day. These advances take the form of non-interest bearing refundable loans, repayable with surpluses generated when the average daily intensity exceeds 20,800 vehicles. This hurdle is not expected to be reached before 1993, as traffic intensity for the motorway industry as a whole has in fact slowed down in 1990 and prospects for a sudden upsurge are not foreseen. State advances which amounted to Ptas 946m could be considered as pure windfall profit given that from a financial point of view, the company could very well do without them.

Toll Highway Industry Profile

Concessionaires	*Itinerary*	*Kms.*	*%*
Acesa	Zaragoza-Barcelona-La Jonquera	509	27.2%
Aumar	Tarragona-Valencia-Alicante	468	25.0%
Avasa	Bilbao-Zaragoza	294	15.7%
Europistas	**Bilbao-Tudela**	**106**	**5.7%**
Audenasa*	Irurzun-Tudela	99	5.3%
Audasa*	El Ferrol-Portuguese Border	97	5.2%
Aucalsa*	Campomanes-Leó	87	4.6%
Eurovías	Burgos-Armiñór	84	4.5%
Iberpistas	Villalba-Adanero	70	3.7%
Autema	Terrassa-Manresa	34	1.8%
Túnel del Cadí	Spain/French Border	23	1.2%
Total		1,871	100.0%

**Enausa Group.*

Source: MOPU/RESEARCH ASSOCIATES

One important limitation for Europistas is that the company cannot increase dividend payments above 10% of share capital while receiving State advances. Furthermore, in case of any profit distribution above 15% of share capital, 50% of the excess must be allocated to a special reserve.

Tariff Adjustments Helps Revenues

Toll revenues increased 18% in 1989, as traffic volume recorded a 14% increase for a second year in a row. This implied an average daily intensity of more than 15,300 vehicles, comprising 74% of the average number of vehicles beyond which no further subsidies are to be provided. Although the company had projected to reach the 20,800 vehicle hurdle as early as 1991 (in view of buoyant traffic growth rates), such prospects are being reconsidered given the marked slowdown in traffic volume being registered this year.

In terms of revenues, however, the 10.2% tariff decision effected in November 1989, together with the 9.2% tariff adjustment introduced on April of this year, will help sustain revenues for 1990. Overhead costs have been edging upward (24% of revenues in 1989 against 22% in 1988) as tariff increases have been tracing inflation in the past. This trend will be reversed given the new tariff adjustment mechanism already in force. In any case, overhead costs remain at a manageable level and pose no excess burden to the company's profitability.

Although Europistas' shares traded below face value at year-end 1988, the stock recovered during most of 1989, performing better than the Madrid general index (12% revaluation). Dividend payments already reached 10% of share capital in 1989 which means that should the company decide to increase profit distribution over and Ptas. 950m ($10M) which are taken as current income for the period. However, if traffic growth falls down sharply (as seems to be the case this year) Europistas' may have to reassess the convenience of foregoing extra income (which can be applied to reduce debt) in exchange of increasing dividend payments.

Europistas' share price has fallen 6% since the beginning of the year, compared to a 27% drop in the general index. This certainly highlights the defensive nature of motorway stocks.

Europistas' operating cash flow continues to edge ahead, comprising a solid 40% of toll-revenues. Tariff adjustments will partly compensate for the current slowdown in traffic, whose rate of growth will be difficult to maintain. The tariff revision mechanism introduced this year assures, however, that toll revenues will not be tracing inflation.

Summing up, Europistas is a profitable company with an adequate financial structure. It remains creditworthy on a stand alone basis, which means that it can forego State subsidies without jeopardizing its financial position. From an investor's perspective, Europistas presently trades at low multiples. Minimum dividend payment of 10% over par is virtually assured given the nature of the motorway's operating cycle which is very straightforward. At current share prices, dividend yield based on estimated results for 1990 is nearly 10%, a good return if we consider the additional possibility of price revaluation. Ω

Europista's Financials

Highlights (Ptas. Million)	*1988*	*1989*	*1990E*
Toll Revenues	5,860	6,911	7,500
Net Income	2,342	2,528	2,700
Funds from Operations	2,398	2,683	3,900
Total Assets	61,120	60,636	60,000
Total Liabilities	30,522	30,000	30,400
Tangible Net Worth	30,199	30,309	30,400

Source: ANNUAL REPORTS/RESEARCH ASSOCIATES

RESEARCH ASSOCIATES *is a Madrid-based marketing and financial research consulting firm. For any questions regarding this report or other industries and companies in Spain, please contact Jaime Mariategui at 341-522-2247. The address is Calle Prim, 5, 28004, Madrid, Spain.*

New Cabinet Shuffle

Spain's Council of Ministers, including six new recently appointed ministers, has approved the selection of six appointees to fill several posts in various governmental departments. Among these new appointees, two have very close ties with the Minister of Economy, Mr. Carlos Solchaga. They are Antonio Zabalza, the new Secretary of the Internal Revenue Service (Hacienda); and Miguel Angel Feito, the new Secretary of Commerce. Other appointments include: Carlos Westendorp, Secretary of State to the European Community; Francisco Javier Landa, Secretary General of Commerce; Miguel Cuenca Valdivia, new Vice President of INI; and George Sevilla, Secretary of the Department of Agriculture.

Structure of the New Cabinet

PRESIDENT
Felipe González (*)

VICE PRESIDENT
Narcís Serra (*)

FOREIGN AFFAIRS
Francisco Fernández

DEFENSE
Julian García Vargas

INTERIOR
José Luis Corcuera

ECONOMY
Carlos Solchaga (*)

SOCIAL SECURITY
Luis Martínez Noval

PUBLIC ADMINISTRATION
Juan Manuel Eguiagaray(**)

INDUSTRY, COMMERCE, TOURISM
Claudio Aranzadi

EDUCATION
Javier Solana (*)

CULTURE
Jordi Solé Tura (**)

JUSTICE
Tomás de la Quadra (**)

HEALTH
Julian García Valverde (**)

PUBLIC WORKS
José Borrell (**)

AGRICULTURE
Pedro Solbes (**)

SUPREME COURT RELATIONS
Virgilio Zapatero

SOCIAL AFFAIRS
Matilde Fernández

GOVERNMENT SPOKESPERSON
Rosa Conde

* *Ministers that remain from the first government*

** *New ministers*

Las Empresas de Conservas Vegetales en España

El sector conservero se halla ante una importante transformacíon pero con un gran crecimiento por delante

POR ANDREAS KANTHER Y SALVADOR RUIZ

Las empresas de conservas vegetales conforman un sector industrial de especial relevancia para determinadas regiones españolas como las Comunidades Autónomas de Murcia y Navarra, en las cuales se hallan ubicadas 8 de las 10 mayores empresas españolas del sector. A nivel nacional, su importancia provoca que España sea el quinto productor de conservas vegetales de la CEE, y el primero en algunos productos como en el caso del tomate.

El sector de las conservas vegetales se halla altamente fragmentado, con un elevado número de pequeñas y medianas empresas, y en el que las 10 mayores sólo alcanzaban una cuota de mercado del 25% en 1988. Las principales causas de esta fragmentación han sido, por un lado, las bajas barreras de entrada, y, por otro, la ausencia de economías de escala significativas o curva de experiencia.

A continuación se analizan brevemente las fuerzas competitivas del sector según el esquema de Michael E. Porter, para caracterizarlo a nivel nacional.

En primer lugar, de las amenazas al ingreso que se perciven en el sector, puede afirmarse que son muy elevadas, debido fundamentalmente a la existencia de unas bajas barreras de entrada y de una pobre reacción por parte de los competidores. Estas bajas barreras de entrada son consecuencia de una escasa diferenciación del producto en más del 90% de las empresas (PYMEs que no invierten en esta actividad), unos bajos costes por cambios de proveedores, y la existencia de unos importantes incentivos a la creación de nuevas empresas por parte de la Administración española y de la CEE.

Una segunda fuerza competitiva es la intensidad de la rivalidad entre competidores, que es baja entre las empresas pequeñas a causa de su elevado número y su escasa capacidad de inversión, y tampoco es muy importante entre las grandes por la alta diferenciación de sus productos. El elevado crecimiento del sector (la producción aumentó un 100% entre 1978 y 1985), y los bajos costes por cambios de proveedores, son otros factores que determinan asimismo esta escasa rivalidad.

El sector conservero afronto un nuevo reto

Podemos afirmar que la presión que ejercen los productos sustitutivos es alta. Las frutas frescas son un fuerte competidor por sus mejores condiciones de almacenaje y transporte. También se están produciendo cambios en los productos preferidos por los consumidores en el desayuno (cereales en lugar de mermeladas...), y en los postres (para los cuales existen importantes sustitutivos, como los dulces, las frutas frescas...).

En lo referente al poder negociador de los clientes, éste es bastante elevado. La importancia de los supermercados como distribuidores de productos alimenticios ha aumentado considerablemente en los últimos años, por sus grandes volúmenes de pedido. La diversidad de productos con que operan hace que la importancia de este producto para los clientes sea baja, así como su rentabilidad. Una manifestación de este poder negociador es la proliferación de "marcas blancas" (marcas del distribuidor) con las que los distribuidores tratan de potenciar su imagen de marca aprovechando la infraestructura de las empresas conserveras.

El poder negociador de los proveedores ha sido tradicionalmente bajo, pero en los últimos años se ha experimentado en España un cierto aumento de la comercialización asociativa agraria, sobre todo a partir de la integración en la CEE. Prueba de ello lo constituye el rapido crecimiento, en tamaño y número, de Organizaciones de Productores de Frutas y Hortalizas (OPFH) en las principales regiones productoras. La adquisición de productos agrarios representa el 30% del coste de los productos terminados, lo cual, unido al aumento del asociacionismo, constituye una amenaza a la integración hacia adelante de las empresas asociativas agrarias para acceder a procesos de producción de conservas vegetales.

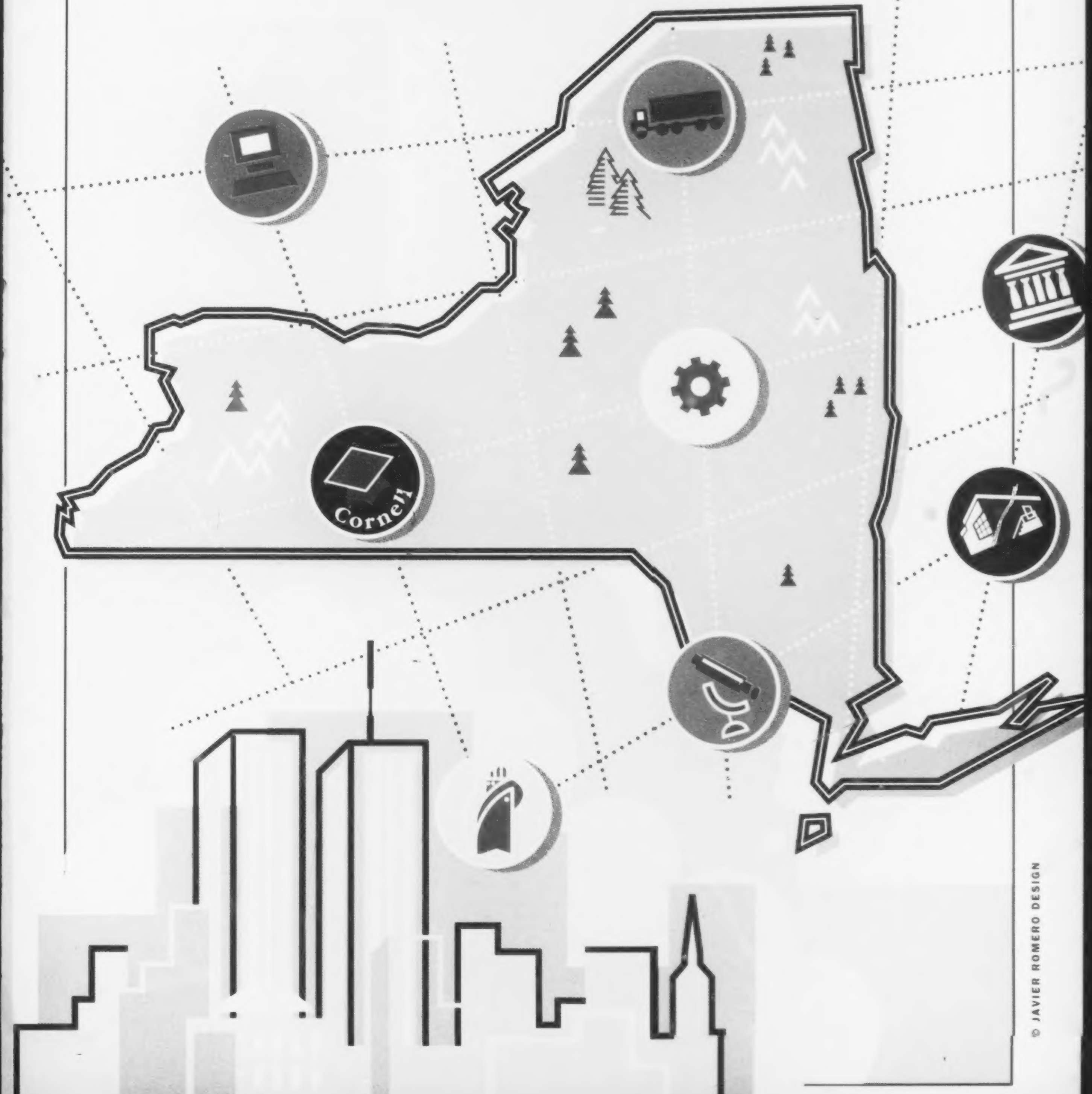
Finalmente, se está produciendo un cierto grado de internacionalización. Ello se manifiesta en la creación de oficinas comerciales por parte de las grandes empresas en algunos de los países en los que exportan.

Todo ello hace que el sector de conservas vegetales constituya un sector dinámico con profundas transformaciones en su estructura interna, tendentes a favorecer un rapido crecimiento y una capacidad competitiva a nivel internacional. Ω

ANDREAS KANTHER Y SALVADOR RUIZ DE MAYA, *Licenciados en Ciencias Económicas y Empresariales. Facultad de Ciencias Económicas y Empresariales de Murcia.*

REPORTAJE ESPECIAL

EL Estado de Nueva York: Oportunidades más allá de los Rascacielos



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New York State Department of Economic Development

Vincent Tese

Commissioner
1515 Broadway
New York, New York 10036 212 827-6100
FAX: 212 827-6116

April 28, 1990

Dear Friends,

New Yorkers and the people of Spain have a long and rich history of shared commercial, cultural and trade links. Knowing that it is in the clear interest of both peoples that these links be nurtured and expanded, we extend a cordial welcome to the business community of Spain.

Recognizing new opportunities in the emerging global marketplace, we have given the name *Global New York* to a series of new initiatives to capitalize on new technology, dismantle trade barriers, and accelerate the flow of international investments. International firms seeking information on investing in New York now have six overseas offices through which they can access New York State's international trade and investment activities. We have convened business-to-business seminars throughout Europe to discuss the experiences of firms expanding into the U.S. and New York markets. A variety of programs have also been implemented to stimulate New York manufacturers to enter the export market.

Through our *International Partnership Programs* we have successfully forged beneficial partnerships with governments, businesses, and educational institutions throughout the world. These partnerships are designed to promote cultural understanding and economic development through formal agreements to share information and seek common solutions to common problems.

The emerging global marketplace offers unparalleled opportunities for increased trade, investment and jobs. But the benefits of the new world market are not limited to economic growth. New Yorkers, all Americans and our trading partners, will profit from greater cultural and political understanding and greater international cooperation.

The strong ties that already exist between our peoples provide a solid foundation upon which to build greater economic opportunities for all.

Sincerely,

Vincent Tese

REPORTAJE
ESPECIAL

El Embajador de España

Washington, D.C., 28 de abril de 1991

Estimados amigos:

La accesión de España a la CEE y la importante apertura de mercados europeos que se producirá en 1992 hace lógico y necesario que la atención de nuestros empresarios se concentre en Europa. Sería, sin embargo, un grave error que desconocieran la favorable coyuntura que, al mismo tiempo que en Europa, se ofrece ahora al empresario español para penetrar en el mercado de los Estados Unidos, que, después de todo, sigue siendo el primer mercado homogéneo del mundo. Los empresarios españoles que aprovechen las condiciones tan favorables que se presentan ahora en los Estados Unidos se felicitarán en el futuro de los beneficios de su iniciativa.

Naturalmente, cualquier apertura y desarrollo de nuevos mercados exige cierta inversión. Distancia, tradición, comunicaciones, afinidad de caracteres y hasta incluso la diferencia horaria, hacen más fáciles los negocios con la Costa Este. La gran puerta comercial y financiera a los Estados Unidos por la Costa Este es, sin duda, Nueva York.

El objetivo de este reportaje es darles a conocer las inmensas posibilidades comerciales e industriales de uno de los mayores, más atractivos y variados estados de la Unión, cuya personalidad se ve a menudo difuminada por la impresionante capacidad de atracción de la metrópoli que da nombre al Estado. El estado de Nueva York aglutina las ventajas que ofrecen las zonas rurales en términos de coste y espacio, pero a corta distancia de uno de los núcleos de comunicación más importantes del mundo.

Será motivo de auténtica satisfacción por parte de esta Embajada, el que esta introducción les anime a una nueva mirada, más fresca e interesada si cabe, para desarrollar nuevos negocios con EE.UU a través del estado de Nueva York.

Atentamente,

Jaime de Ojeda

REPORTAJE ESPECIAL

El Estado de Nueva York en síntesis

DATOS ESTADISTICOS
Población:
1990- 17,773,000
2000- 18,139,000
Tasa de paro (1989): 5.1%
Impuesto de Sociedades:
10.3% o 8%, según el tamaño de la empresa.
Producto Estatal Bruto (1986):
$362,736,000
Edad media población: 33.8

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Pequeños negocios

ORGANIZACIONES DE DESARROLLO ECONOMICO

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La base económica del Empire State abarca un amplio espectro, tanto por su diversidad como por su tamaño. En 1989 se contabilizaron 456,342 negocios con una masa laboral de 8,552,000 personas. Ampliamente dominado por las empresas de servicios, el área de la ciudad de Nueva York es tradicionalmente el centro financiero del país. Nuevas iniciativas del estado, con el objetivo de contrarrestar las recientes disminuciones de la economía del noreste, vuelven por parte del Gobernador Cuomo y de la legislación de financiación. Desde el Acuerdo de Libre Comercio, Nueva York está incrementando su intercambio comercial y la inversión en capital por parte de Canadá.

FINANCIACION ESTATAL

Como entidad de beneficio público del Estado de New York, autorizada por una enmienda constitucional aprobada en 1961, el New York Job Development Authority (JDA) ha ayudado a más de 1900 empresas a expandirse a lo largo del estado. Aproximadamente 150,000 personas están actualmente trabajando en empresas asistidas por préstamos directos del JDA. El objetivo de este organismo es promover, animar y desarrollar la prosperidad y bienestar económico de los habitantes de New York, a través de la mejora de las oportunidades de empleo.

El JDA, como banco de desarrollo económico del estado de New York, provee préstamos de bajo interés y préstamos avalados para ayudar a empresas a expandirse, construir nuevas plantas y adquirir maquinaria y equipamiento.

INVESTIGACION Y DESARROLLO

Existen nueve Centers for Advanced Technology de creación estatal que trabajan para fomentar la cooperación y asociación productiva entre empresas, universidades y gobierno. El Center for Industrial Innovation en el Rensselaer Polytechnic Institute de Troy, cuenta con varios institutos de investigación tecnológica directa bajo su cobertura. La Universidad de Cornell ofrece a las empresas de base tecnológica acceso a su macroordenador, uno de los cinco existentes en los Estados Unidos, a través del Cornell National Supercomputing Facility.

Para más información: New York State Science and Technology Foundation, (518) 474-4349.

EDUCACION

El Empire State sobresale por sus 333 colleges, cifra superior a la de cualquier otro estado en los EE.UU. Más de un millón de estudiantes están inscritos en programas de graduado y postgraduado. La Universidad del Estado de Nueva York comprende 77 colleges y universidades.

New York está situada en segunda posición en cuanto a gasto en educación pública de los EE.UU., con una media de 7,338 $ por alumno. En 1989, el 93.4% de los matriculados en estudios preuniversitarios obtuvieron su título.

PUERTOS

El interestatal Port of New York and New Jersey es uno de los centros de embarque más importantes en los Estados Unidos. El St. Lawrence Seaway, el Port of Albany provee rutas tanto inter como intraestatales, así como acceso al Oceano Atlántico para el comercio de los Grandes Lagos.

AGRADECIMIENTOS
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Iniciativas del Estado de Nueva York, Punteras en un Nuevo Mercado Global

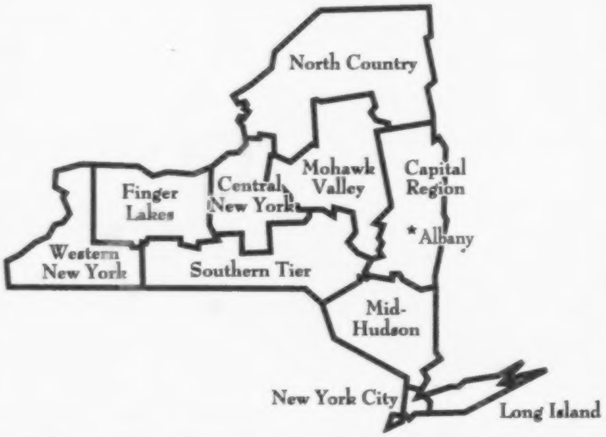
El estado de Nueva York está desarrollando una política de promoción de nuevas inversiones en el área, mediante una serie de atractivos programas en el marco del "Global New York"

El estado de Nueva York, sede de más sociedades extranjeras que ningún otro estado norteamericano, se ha consolidado ya como el "estado internacional". No obstante, el desmantelamiento de las barreras comerciales, la creciente frecuencia de flujos financieros y la integración de las economías mundiales hacen que este estado no pueda dormirse en los laureles. En consecuencia, se han desencadenado actividades a fin de permitir retener esta posición privilegiada. En los últimos 12 meses, Nueva York ha tomado iniciativas con nuevos programas para incrementar el comercio en el marco del "Global New York", que facilitan a compañías extranjeras la inversión en el estado, y ayudan a las empresas del área a participar en la economía mundial.

Este estado cuenta con una tradición bicentenaria de acogida y servicio al comercio internacional, respondiendo siempre a las necesidades de negocio en todo el mundo. Nueva York fue el primer estado en disponer de oficinas en el extranjero con la finalidad de asesorar a la comunidad internacional, contando hoy con seis — en Londres, Frankfurt, Tokyo, Hong Kong, Toronto y Montreal. A través de éstas se asesora a empresas extranjeras interesadas en invertir en plantas industriales o equipamiento en el estado. Con otras diez oficinas situadas en territorio neoyorquino, se ayuda a las empresas a expansionar las ventas y ampliar las actividades en otros mercados.

La apertura internacional del estado se encauza mediante programas públicos que coordinan un gran número de actividades exteriores realizadas por los ciudadanos y asociaciones. Nueva York es un estado que cuenta con una rica y heterogénea herencia cultural, debido a la diversidad de comunidades internacionales que controlan periódicos, televisión, radio, iglesias, centros culturales e incluso escuelas secundarias en distintas lenguas, así como a los vínculos históricos que mantiene con una amplia variedad de culturas hispánicas, y que hacen del español el segundo idioma del estado.

Cuando una compañía extranjera se registra para desarrollar su actividad en Nueva York, es inmediatamente considerada empresa neoyorquina, pudiendo acceder a todos los beneficios fiscales y financieros posibles. Tiene



El Estado de Nueva York

también acceso a una amplia gama de programas de reciclaje profesional y desarrollo económico con bajos costes, así como a los programas y servicios que se implementan en el marco del "Global New York".

El objetivo de desarrollo económico contenido en el "Global New York" consiste en ofrecer la posibilidad de ventas globales a empresas manufactureras y de servicios situadas en Nueva York. Muchos de estos programas van dirigidos a pequeñas y medianas empresas con recursos limitados y que aspiran a jugar un papel en el mercado internacional, ya que el 60% de las empresas exportadoras cuentan con menos de 100 trabajadores. Los elementos clave del "Global New York" incluyen servicios de asesoramiento de marketing de exportación (export marketing assistance services), educación y consultoría de exportación (export education and counseling), un programa internacional para ferias de muestras (trade show program), la publicación del *Boletín de oportunidades de exportación (Export Opportunities Bulletin)*, que contiene listas mundiales de comerciantes, y la creación de corporaciones compartidas de ventas exteriores (shared foreign sales corporations).

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El "Export Education and Counseling" ofrece servicios diseñados para empresas del estado que desaprovechan oportunidades de venta en el exterior al no estar al corriente de las posibilidades de sus productos en el mercado mundial, o de las formas de penetración en los mismos. El estado organiza, co-sponsoriza y dirige entre 40 y 70 seminarios al año, a todos los niveles profesionales desde principiantes a avanzados, para preparar ejecutivos y empresarios en las últimas tendencias y métodos de exportación.

Se ofrece también la posibilidad de contactar con especialistas estatales en comercio internacional para consultas individuales o colectivas relativas a temas de exportación. Si se cree disponer de posibilidades en el mercado mundial para los productos o servicios de la empresa, puede sacarse partido de la asistencia técnica, pericia y experiencia de estos especialistas. Se facilita información sobre estos seminarios y posibilidades de asesoramiento por vía telefónica o a través de cualquiera de las oficinas regionales en el estado.

El "Trade Show" internacional proporciona una vía innovadora y económica de acceso a productos y servicios en los mercados exteriores. En lugar de contratar un stand individual, difícil y caro para muchas empresas, un especialista en comercio internacional del estado, promociona el producto de forma más organizada y en más lugares. Cientos de pequeñas y medianas empresas se han beneficiado de esta forma de participar en ferias de muestras de ultramar.

El estado de Nueva York toma parte en una media de diez ferias internacionales al año. Cuando una de éstas es seleccionada, el estado alquila un stand, de lo que se informa a los manufactureros neoyorquinos, seleccionando el estado aquellos productos más acordes a la feria en cuestión. Se proporciona a los participantes información completa y asistencia en el desarrollo y preparación de catálogos y material para la feria.

Antes de la feria, el representante que tiene asignado el stand contacta con los manufactureros participantes, informándose de los productos que van a mostrarse y sus puntos fuertes. Este representante se escoge en función de su experiencia en la feria en particular y su conocimiento del idioma del lugar. En la feria se presentan los productos a los visitantes interesados y se obtiene la máxima información posible sobre los mismos. Por otro lado, puede contactarse con exhibidores vecinos que sean representantes locales o distribuidores de otros productos que no estén en competencia directa con los propios, y puedan ofrecer buenas perspectivas de negocio. Una vez finalizada la feria, se entregan a cada participante los nombres de empresas interesadas en sus productos, así como la respuesta obtenida por los mismos, y se asesora sobre las potencialidades futuras del mercado.

El *Export Opportunities Bulletin* es la herramienta clave en el esfuerzo del estado de Nueva York por promover el comercio bilateral, a través del cual se localizan propuestas en todo el mundo en busca productos y servicios. Se obtienen datos de estas empresas gracias a mailings directos a personas preseleccionadas y publicidad en medios seleccionados internacionalmente.

La efectividad de este sistema es indudable. Son muchas las compañías neoyorquinas que utilizan el *Boletín* como fuente primaria para incrementar sus ventas internacionales, consiguiendo grandes volúmenes en exportación (superior a 100 millones de dólares al año) gracias a propuestas publicadas en estas ediciones.

El programa "Shared Foreign Sales Corporations" (FSC) permite a empresas neoyorquinas expandir sus negocios al extranjero reduciendo costes e impuestos. Se trata de corporaciones de unos 25 exportadores, diseñado para promover acuerdos comerciales en mercados exteriores, reduciendo los costes empresariales y aumentando los beneficios fiscales, sin dejar de operar cada empresa en su propio ámbito.

Las ventajas son significativas. Participar en un FSC permite reducir en un 15% los impuestos federales a la renta en EE.UU. (en cuanto a los beneficios procedentes de la exportación), reduciendo también los costes, ya que es más barato compartir a establecer una corporación de ventas propia. Además, su uso evita perder tiempo y recursos aprendiendo a organizar y hacer funcionar una corporación de este tipo. Sólo es preciso inscribirse y seguir las instrucciones.

Cualquier exportador o profesional del estado de Nueva York puede participar en un FSC compartido. El Departamento estatal de desarrollo económico ayuda a formar grupos compatibles de exportadores, ayudándoles a iniciar la organización del FSC, y a reclutar nuevos participantes de ser necesario. Los participantes conservan completamente la confidencialidad de sus operaciones comerciales. Para garantizar esta confidencialidad, el estado se asegura de que empresas en competencia directa no coincidan en un mismo FSC. Los miembros no participan o comparten los beneficios entre sí, sino que se contabilizan de forma separada; tampoco les es aplicable ningun beneficio fiscal de otros miembros. Cada compañía es responsable de forma individual por sus acciones, sin compartirse con otros miembros. Ω

Puede obtenerse más información sobre el Global New York y Foreign Direct Investment Programs llamando a la División Internacional del New York State Department of Economic Development al teléfono (07-1-212) 827.62.00.

Exportaciones de Nueva York Hacia España

Codigo SIC	*INDUSTRIA*	*1987*	*1988*	*1989*
	Total Exportaciones	**$240.516.047**	**$311.895.862**	**$255.422.082**
37	Mat. de Transportes	76.486.400	63.190.995	59.829.004
35	Informática	49.808.443	63.032.875	38.657.630
99	Prod. no clasificables	19.059.342	17.932.718	35.226.367
36	Maq. y Mat. Electrónico	20.031.980	38.816.990	33.681.768
38	Industria de Precisión y Optica	21.884.056	23.788.340	19.731.751
28	Industria Química	14.357.816	17.054.086	13.785.030
23	Textil y otros prod.	1.182.817	3.860.644	7.837.678
20	Alimentación, bevida y tabaco	9.771.806	1.727.190	5.826.994
29	Petróleo	814.298	1.522.136	5.210.426
24	Madera	3.863.453	11.034.501	4.707.718
39	Productos Variados	1.874.380	5.123.218	4.483.802
27	Editoriales e imprenta	727.867	1.090.403	3.783.791
34	Prod. Metálicos y Minerales	3.133.990	2.858.529	3.034.865
33	Siderurgia	1.166.375	3.675.798	2.848.001
2	Productos Agrícolas	4.388.732	2.108.257	2.738.303
22	Textiles	615.736	2.165.024	2.663.315
32	Vidrio	1.628.991	2.700.065	2.357.032
26	Papel y Artes Gráficas	1.494.654	2.882.727	2.025.612
30	Plásticos y Caucho	1.070.354	1.570.019	1.965.956
91	Productos Residuales	3.135.910	2.261.662	1.801.687

FUENTE: *División Internacional del New York State Department of Economic Development*

JDA

NEW YORK STATE'S
ECONOMIC DEVELOPMENT
BANK

WHEN YOU'RE LOOKING FOR EXPORT FINANCING ....

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GLOBAL NEW YORK

Global New York embraces the multiple economic development initiatives of the State, and includes training, education and cultural awareness. The New York Job Development Authority helps fulfill this global commitment by supporting high technology manufacturers; exporters and companies owned by foreign investors.

Through the XPORT Program, JDA has assisted companies in 16 counties with exports to 21 countries around the globe.

JDA uses no State appropriations.

State of New York

Mario M. Cuomo
Governor

New York Job Development Authority
Vincent Tese, Chairman
Robert T. Dormer, President

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Albany, NY 12210
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Cooperación Gobierno-Universidad-Industria: Los CAT

Los Centros de Tecnología Avanzada (CAT) permiten a las empresas rentabilizar las investigaciones realizadas por las universidadas neoyorquinas

Reconociendo el hecho de que una colaboración activa entre industria y universidad, en investigación básica y aplicada, es esencial, el estado de New York se percató de lo que la innovación tecnológica suponía para el potencial de crecimiento del estado, por lo que creó en 1982 un programa para la creación de Centros de Tecnología Avanzada (Centers for Advanced Technology, CAT).

Tradicionalmente, las universidades han estado trabajando con fines básicos de investigación y desarrollo, motivado principalmente por la curiosidad. Las empresas por contra, han estado centrando sus recursos en un fin opuesto, que es el desarrollo de un proceso o producto generador de beneficio. Esta situación deja un gran vacío entre la generación de ideas y su aplicación con fines prácticos. Este es precisamente el objetivo del programa CAT, desarrollado por el estado de New York para ayudar a cerrar el vacío existente.

Los principales objetivos del programa CAT son: introducir elementos que centren la atención en el potencial de programas de investigación seleccionados para aplicaciones industriales; acelerar aplicaciones comerciales de nuevas tecnologías; familiarizar a los investigadores universitarios y a los ingenieros con prioridades y problemas industriales; y promover la comunicación y cooperación entre la industria y la universidad.

Para llevar a cabo el programa, la New York State Science and Technology Foundation identificó en primer lugar, las areas tecnológicas apropiadas en relación con aquellas industrias con un significante potencial de crecimiento y productividad en el estado. Según un estudio dirigido por los Laboratorios Battelle Columbus de Ohio, la Fundación identifica las siguientes areas tecnológicas: automatización y robótica; biotecnología aplicada a agricultura; sistemas de informatización y ordenadores; terapeútica y diagnóstico médico; artefactos e instrumentos médicos; óptica, semiconductores y circuitos integrados; y telecomunicaciones.

Cada centro puede recibir hasta un millón de dólares anuales por parte de los fondos del estado, obteniendo una suma aproximadamente igual por otras fuentes, principalmente la industria privada.

El programa CAT está concebido como una inversión a largo plazo por parte del estado de New York. No obstante, en los primeros siete años ya se han hecho evidentes resultados tangibles. Por ejemplo, 53 patentes han sido ya premiadas y 33 licencias tecnológicas están siendo ya empleadas.

Para alcanzar todos estos objetivos del programa CAT, los centros han establecido una variedad de programas de investigación y desarrollo, educación y transferencia de tecnología.

COLUMBIA UNIVERSITY: El Centro de Tecnología Avanzada en Ordenadores y Sistemas de Información (CAT-CIS). Se dedica al desarrollo del software, y de componentes del hardware. Entre los principales procesos que se están llevando a cabo, están el estudio de los defectos en la tolerancia de sistemas a gran escala; sistemas de proceso de transacciones distribuidas a gran escala; e investigación en computación paralela sólida.

CORNELL UNIVERSITY: Centro de biotecnología en agricultura. La misión del programa de investigación CAT de Cornell sobre biotecnología en agricultura, trata de descubrir y desarrollar productos y procedimientos en la área de biología molecular de plantas; bioproceso de ingeniería; receptores de superficie de células animales; y la estructura y función de proteínas y encimas. La meta del Centro se basa en contribuir de una forma sustancial a la industria agrícola del Estado de Nueva York, a través de esfuerzos enfocados hacia áreas de necesidad agrícola, intentando que las soluciones a los problemas agrícolas tengan un impacto mínimo en el medio ambiente.

POLYTECHNIC UNIVERSITY: El Center for Advanced Technology in Telecommunications (CATT). Desempeña un papel crítico en el desarrollo del complejo "Metrotech" que se lleva a cabo actualmente en Brooklyn con un coste de 1 billon de dólares.

El CATT es un consorcio dirijido por el departamento de investigaciones de la Universidad Politécnica. Este consorcio está agrupado en tres areas cuyos enfoques principales son: materiales (semiconductores, uniones heterogéneas para aplicaciones opto-electrónicas entre otros); artefactos (red de radios locales, interruptores ópticos); y sistemas (optimización de redes de banda amplia, control y dirección de redes).

SYRACUSE UNIVERSITY: El Computer Applications and Software Engineering (CASE) Center. Dispone de un variado programa de investigación, educación y transferencia de tecnología que engloba a más de una docena de instituciones académicas y aproximadamente 50 empresas.

Este proyecto conjunto ha llevado a nuevos desarrollos que han sido incorporados por las empresas que patrocinan y apoyan el proyecto. Un ejemplo de dicha colaboración es el uso por parte de Niagara Mohawk Power Corporation, de un sistema de inteligencia artificial para analizar los patrones meteorológicos y ajustar la producción de enegía en tiempo real.

> El programa trata de espolear la colaboración con organizaciones internacionales y apoyar la transferencia de tecnología clave hacia mercados extranjeros

* * *

UNIVERSITY OF ROCHESTER: El Center for Advanced Optical Technology (CAOT). Agrupa un amplio programa de investigación sobre el análisis, alteración, formación y uso de la luz. Los campos de investigación prioritaria se centran en fibras ópticas y ópticas integradas, fabricación óptica, sistemas opto-electrónicos para sistemas de reconocimiento de imagenes, visión robótica e instrumentos y materiales de comunicación óptica avanzada.

STATE UNIVERSITY OF NEW YORK (SUNY) AT BUFFALO: Instituto de Aparatos e Instrumentos Sanitarios. Uno de los temas principales en el uso de instrumentos médicos, tales como implantes dentales, válvulas cardíacas y prótesis artificiales trata de predecir la reacción del cuerpo humano a cuerpos extraños. Los programas de investigación intentan estudiar las propiedades de la superficie de los materiales a emplear en estas aplicaciones de materiales de uso médico, desarrollando técnicas que permitan entender tales interacciones de las proteínas, células y tejidos con los materiales artificiales.

STATE UNIVERSITY OF NEW YORK (SUNY) AT STONY BROOK: Centro de Biotecnología Médica. Una de las características de este centro está basada en el potencial comercial de sus proyectos. Aproximadamente el 50% de los proyectos de investigación del CAT comporta acuerdos de licensing con la industria privada.

CLARKSON UNIVERSITY: El Center for Advanced Material Processing (CAMP). Alberga una diversa colección de investigaciones multidisciplinarias entre las que sobresalen la preparación, procesamiento, evaluación y control de partículas finas, así como procesamiento de polímeros y metales, investigación sobre coloides, y crecimiento de cristales.

RENSSELAER POLYTECHNIC INSTITUTE: Centro de Tecnología Avanzada en Robótica y Automatización. Los nuevos programas de investigación alentados por el Instituto Politécnico, están centrados en el diseño e implementación de sistemas de automatización y robótica.

ALFRED UNIVERSITY: El Center for Advanced Ceramic Technologies. Ha contribuido ya en campos tecnológicos con numerosas empresas del estado de Nueva York. Un ejemplo de ello ha sido la aplicación de una patente utilizada por empresas sobre procesos de fabricación de cerámica vítrica para la elaboración de superconductores.

El proyecto CAT anima a empresas extranjeras a formar parte como miembros activos del mismo, permitiendo desarrollar alianzas empresariales entre ellos, y recibiendo asimismo los beneficios fiscales y financieros que ya disfrutan los miembros norteamericanos.

El Port Authority busca inversores: El "Proyecto Incubadora"

En su política actual de captación de nuevas inversiones, el Port Authority propone fórmulas atractivas a empresas extranjeras. Una de ellas es el llamado "Proyecto Incubadora". Con éste, tratan de atraer especialmente empresas españolas, ya que se lamentan de la no existencia de delegaciones de empresas de este país en su edificio más representativo: El World Trade Center.

REPORTAJE ESPECIAL

El Port Authority of New York and New Jersey es una organización gubernamental biestatal, dedicada a todo tipo de proyectos tendentes a la promoción del comercio de ambos estados. Su objetivo es llegar allí donde la iniciativa privada no llega, ya sea por falta de rentabilidad económica, por tratarse de proyectos con excesivas necesidades de capital, o, simplemente, por no realizarse a pesar de ser necesarios. Se trata de una organización de tipo cuasi-pública, que actúa fundamentalmente en dos campos, en el transporte interurbano entre los dos estados, y en el comercio.

En cuanto al transporte, su área de competencia comprende una circunferencia de 25 millas (unos 42 Km.) de radio alrededor de la Estatua de la Libertad, comprendiendo puentes, túneles, transporte terrestre, metro, ferry, y los tres aeropuertos de la ciudad.

En cuanto al comercio, participa en Proyectos de Desarrollo Comercial de la región, facilitando locales de negocios y suelo industrial en el interior de ambos estados. En lo referente al suelo industrial, promocionan polígonos del propio ente o de otras entidades públicas o privadas, en relación a las necesidades concretas de la empresa que desea establecerse. Estas áreas industriales cuentan con excelentes comunicaciones, facilidades de abastecimiento de matérias primas, y están dotadas de ámplias facilidades financieras e incentivos fiscales procedentes de las autoridades estatales.

Todo ello, unido a la existencia en el área de un mercado de 16 millones de consumidores en una circunferencia de 42 Km. de radio (con una cada vez mayor comunidad hispana entre los mismos), una área industrial que cuenta con 3.000 indústrias manufactureras, lleva a los ejecutivos del Trade Authority of New York and New Jersey a creer firmemente en las posibilidades de crecimiento de la inversión extranjera en sus entidades, pensando especialmente en las posibilidades que ofrece

España. Es en los sectores naviero y turístico donde se creen más factibles futuras inversiones españolas.

Proyecto Incubadora

En el edificio insignia del Port Authority, el World Trade Center, más conocido como las Twin Towers o Torres Gemelas, ha nacido el proyecto incubadora con el objetivo de facilitar las inversiones en locales comerciales, reduciendo asimismo el riesgo. Se trata de un edificio de 107 plantas, situado en el "Financial District" o barrio de los negocios de Manhatan. Se hallan ubicadas en el edificio 500 compañías distintas, americanas y extranjeras, principalmente japonesas y comunitarias. Sin embargo, aunque parezca extraño, no se halla ubicada en el mismo ninguna compañía española.El proyecto incubadora consiste en permitir alquilar pequeñas partes o parcelas de oficina, facilitando todos los servicios necesarios, como secretarias, fax, teléfono, mobiliario de oficina, etc. de acuerdo con las necesidades concretas del arrendatario. De este modo, una empresa que desee iniciar relaciones comerciales con Estados Unidos puede disponer de locales adecuados rápidamente, y adaptados a sus necesidades. Por otro lado, el riesgo de la inversión disminuye al reducir notablemente su montante y permitir la retirada sin costos adicionales. Pretende ser, pues, una plataforma de lanzamiento al mercado norteamericano.

La idea que propusieron, y creyeron más viable, de cara a compañías españolas, consistiría en el arrendamiento de una planta entera del World Trade Center (15.000 pies cuadrados, unos 1.400 m) por una empresa española, que organizara la planta, y la dotara de las peculiaridades requeridas por empresas españolas, así como de personal de habla hispana, realquilando pequeñas parcelas de la misma a otras empresas españolas que deseen implantarse en Estados Unidos mediante este sistema.

Esta adaptación de una planta del edificio a la "manera española de hacer negocios" sólo puede ser realizada, según los ejecutivos del Port Authority of New York and New Jersey, por una empresa española. En caso contrario, esa adaptación no estaría bien hecha, y el proyecto podría fracasar.

Otra idea que propusieron, y que podría ser también de interés para empresas e instituciones españolas, es la realización de exposiciones en el edificio. Este, dispone de una zona de exhibiciones, por la que pasan anualmente 1,5 millones de personas, procedentes de todo el mundo, para subir al edificio más alto de Nueva York. En el Port Authority están interesados en realizar una exposición sobre España, presentando productos españoles a los visitantes.

Es de destacar el interés que despierta España para ellos, y lo que les extraña la falta de empresas nacionales en el edificio. Enumeraron varias formas de colaboración, o de llegar a acuerdos con ellos, y se les ve muy receptivos a cualquier otra posibilidad que se les plantee. Ω

ALBERT ALMAZOR, *MBA Internacional por ESADE y actualmente en la Cámara.*

El Nuevo Convenio para evitar la Doble Imposición

Este nuevo convenio puede ser un nuevo y útil instrumento que potencie los intercambios comerciales entre ambos países

El pasado 22 de febrero de 1990 fué firmado en Madrid el nuevo "Convenio entre España y EE.UU. para evitar la doble imposición y prevenir la evasión fiscal respecto a los impuestos sobre la renta", publicándose en el B.O.E. el pasado 22 de diciembre de 1990.

Este Convenio está inspirado en el "Modelo de Convenio para evitar la doble imposición" de la OCDE de 1977, que ha sido utilizado durante las negociaciones. Sin embargo, se han introducido ciertas variaciones en el mismo, adoptádose algunos artículos procedentes del Convenio de las Naciones Unidas previsto para países con distintos niveles de desarrollo.

En cuanto a los sujetos, el Convenio es de aplicación a los residentes en España, en EE.UU. o en ambos países a la vez, aunque permite, con algunas excepciones, hacer contribuir a los nacionales o residentes de estos países como si el convenio no hubiera entrado en vigor.

> **El Convenio supondrá un importante ahorro fiscal para empresas españolas y norteamericanas a la hora de establecerse en el otro país, regulándose un tratamiento específico en los ingresos obtenidos en cada uno de los casos**

Comprende, en relación a España, el IRPF y el IS, no incluyendo el Impuesto Extraordinario sobre el patrimonio.

El Convenio supondrá un importante ahorro fiscal para empresas españolas y norteamericanas a la hora de establecerse en el otro país, regulándose (arts. 6 a 23) un tratamiento específico en los ingresos obtenidos en cada uno de los casos, según se trate de beneficios empresariales, rentas inmobiliarias, dividendos, intereses, cánones o royalties, ganancias de capital, imposición sobre sucursales, servicios personales, retribuciones a consejeros, e incluyendo la categoría de "otras rentas" para aquéllas sin un tratamiento específico.

Se regulan asimismo deducciones por doble imposición, que varían según se trate de residentes en España o EE.UU., y que suponen un tratamiento muy ventajoso para el empresario o inversor español que obtenga un beneficio en EE.UU..

Se da especial importancia a la prevención de la evasión fiscal, hasta el punto de incorporar el concepto en el título del Convenio. Se introducen artículos sobre la materia, procedentes tanto del Modelo OCDE, como el normalmente utilizado por los EE.UU. en sus convenios de doble imposición (El Modelo de Convenio de Doble Imposición de los EE.UU.).

Las medidas al respecto incluyen, por un lado, la corrección de los beneficios de empresas asociadas, por las que se dificulta la práctica empresarial consistente en reducir la carga fiscal en el estado de superior tributación reduciendo por debajo de los precios de mercado, o aumentando artificialmente en su caso, los precios de transferencia.

Se prevén también medidas en contra el Treaty Shopping, consistente en la búsqueda del convenio de doble imposición más conveniente para el sujeto pasivo para hacer disminuir la carga fiscal a que está sometido, peviéndose finalmente el intercambio de información y asistencia administrativa entre ambos estados.

Finalmente, contiene ciertas medidas de defensa del contribuyente, que permiten, mediante un procedimiento amistoso, soliucionar casos individuales en los que el contribuyente alega una aplicación incorrecta del convenio. Este procedimiento también soluciona dudas aparecidas en la interpretación o aplicación del Convenio, o solucionar supuestos no previstos en el mismo.

Así pues, y tal y como se señala en el comentario oficial de la OCDE a su Modelo de Convenio, la finalidad de dichos convenios de doble imposición es promover los intercambios de bienes y servicios así como el de movimiento de capitales y personas entre los dos estados a través de la eliminación de la doble imposición. No cabe duda de que también en el caso del Convenio entre España y los EE.UU. que, por otra parte, viene a llenar un hueco importante en la red española de Convenios de Doble Imposición, cabe esperar consecuencias beneficiosas.

El Convenio puede ser un nuevo y útil instrumento que potencie los intercambios económicos entre ambos países y conlleva un replanteamiento en las planificaciones fiscales de las operaciones económicas entre ambos estados. La Cámara de Comercio Española en Nueva York se ha preparado convenientemente a fin de facilitar mayor información a sus socios acerca del mismo. Ω

La "gran manzana" tiene sabor español

Extebank afianza su posición en aras de una expansión y crecimiento ordenado

La tentación y la oportunidad que supone para las empresas extranjeras, y en especial para las españolas, entrar en el mercado americano, pasa por la necesidad en gran número de casos de establecerse en la "Gran Manzana". Aunque ya desde los años 50, el Banco Exterior de España cuenta con una oficina de representación en Nueva York, en 1977 consciente de la necesidad de abrirse camino en Estados Unidos, y en especial en la ciudad de los rascacielos -como centro neurálgico de la actividad financiera desarrollada en el país-, compra a través de una subasta del FDIC (Federal Deposit Insurance Corporation) el Century National Bank and Trust.

La buena marcha de las operaciones comerciales desarrolladas y la amplitud del mercado llevan al Grupo Banco Exterior a adquirir dos años después el Bank of Suffolk County que cuenta con una red de seis oficinas. Estas adquisiciones culminarán, a través de una fusión, en la formación de Extebank como filial del Banco Exterior de España. Su implantación como subsidiaria hace que Extebank opere a nivel legal como banco americano, pudiendo de esta forma competir con el resto de los bancos por los servicios financieros existentes.

> **Extebank asienta su posición en los mercados de financiación comercial y banca de empresa**

Con la reciente apertura de las oficinas de Bohemia (Long Island) y de Rego Park (Queens), Extebank dispone ya de una red de diez oficinas. Siete de ellas distribuidas en Long Island , dos en Manhattan y la última abierta en Queens. Aunque Extebank no puede compararse con bancos de la talla de Chemical Bank, Chase Manhattan o Citibank, y a pesar de contar con un volumen de activos que sobrepasa este año los 700 millones de dólares, sí está compitiendo en la práctica con ellos en lo referente a los servicios que otorga al consumidor neoyorkino.

De hecho, en un reciente estudio titulado The 1990 Consumer Bank Scorecard realizado por el Dept. of Consumer Affair of the city of New York and New York State Senade, que analizaba la competitividad en cuanto a las comisiones de servicios y los tipos ofrecidos de los bancos norteamericanos situados en el estado de Nueva York, Extebank se encontraba en una sobresaliente segunda posición.

El público objetivo de Extebank está compuesto principalmente por dos segmentos. El primero de ellos es el cliente que busca servicios personales relacionados con cuentas corrientes, cuentas de ahorros, bonos del tesoro, préstamos personales, hipotecas entre otros muchos que ofrece el banco. El segundo, sería el segmento compuesto por las pequeñas y medianas empresas que requieren una atención más acorde con su negocio, buscando servicios de préstamos a corto y largo plazo, cuentas corrientes de empresa, certificados de depósito, cuentas de mercado de dinero y similares. No obstante, Extebank dispone asimismo de servicios de caracter internacional ofreciendo a sus clientes operaciones que van desde cartas de crédito, cambio de divisas, IBF, depósitos en moneda extranjera y financiación comercial.

La pasada crisis que ha afectado a la economía norteamericana, ha hecho que los bancos americanos hayan tenido que sanear sus carteras y en especial los créditos concedidos a sus clientes. Extebank, con vistas a fortalecer su posición, está realizando una diversificación de sus productos, incrementando sus depósitos y afianzando su relación con las pequeñas y medianas empresas que en definitiva tienen una presencia significativa dentro de su clientela.

En vistas a la nueva desregulación del sistema bancario, que elimina las barreras de actuación entre los diferentes estados para los bancos, se abre una nueva posibilidad de expansión para aquellos que tienen previsto un crecimiento de su actual estructura. Ω

LANDER UNZUETA, *MBA Internacional por ESADE y actualmente en la Cámara.*

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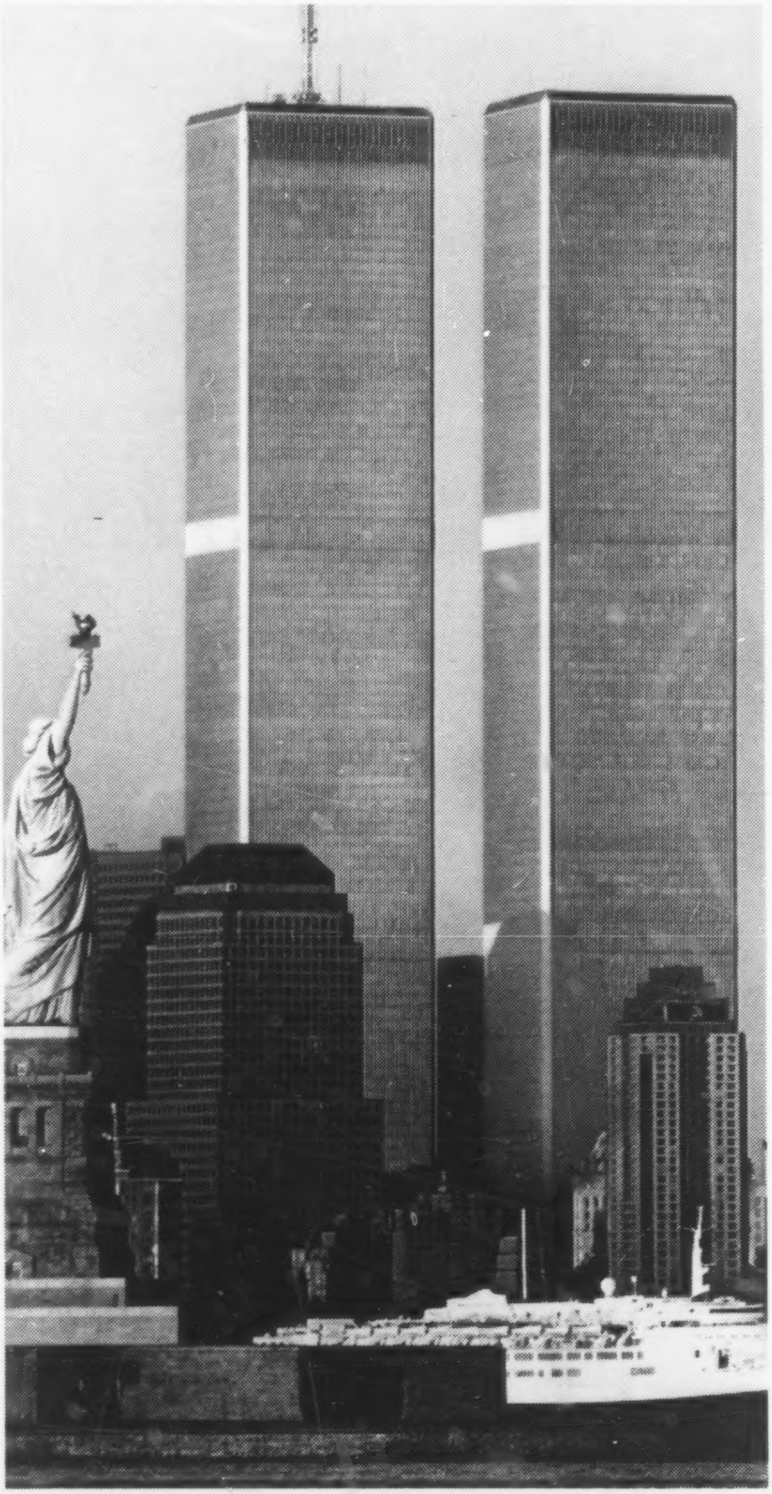

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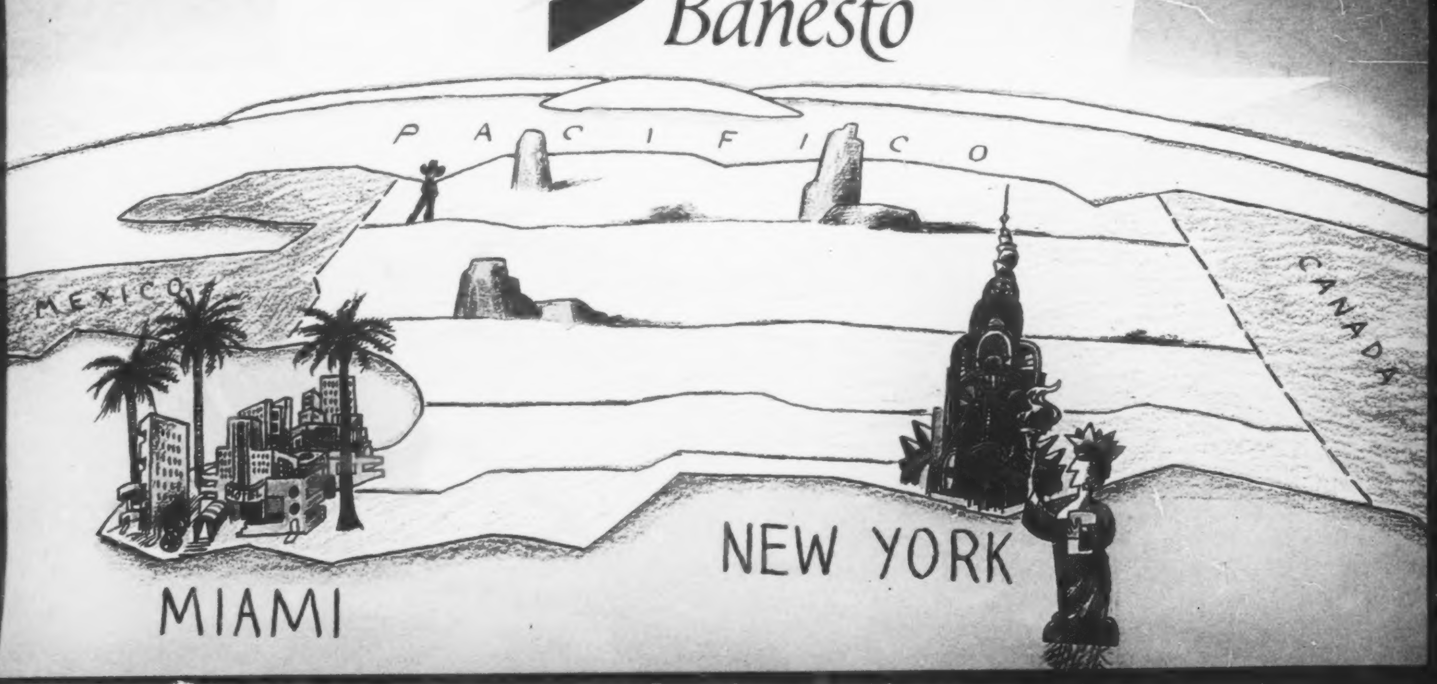

The U.S. Hispanic Market: It's Time to Take It Seriously

$165 billion of purchasing power plus a strong ethnic identity are overlooked by general marketing approaches

BY PATRICK MORAN

There are close to 25 million Hispanics living in the U.S. worth over 165 billion dollars of purchasing power, that are being ignored or overlooked by top consumer product companies in the U.S. Some of these companies have developed advertising campaigns for Spanish language media, but their overall marketing effort is based on a "one market" philosophy.

Companies will not commit additional effort to the Hispanic market unless there is strong evidence demonstrating the "uniqueness" of the market, as well as the potential for additional revenue. For example, are the consumer behavioral patterns of this market segment clearly unique to the general market? Are the language and media preferences distinct from general population? The potential for additional revenue generation would have to justify the investment in developing a distinct marketing organization. The market segment, currently not reached by the general market approach, must represent a significant amount of buying power; and the population should have a strong propensity to use their disposable income to purchase consumer product/services.

Market Characteristics

Most ethnic groups immigrating to the U.S. during the late 19th and early 20th centuries (primarily European) went through a somewhat consistent process of assimilation or acculturation. Initially, the new arrivals would retain cultural identity as a buffer for security and comfort. However, as the pressures to interact with the general population increased (both economically and socially), so did the pace of adopting American cultural values.

Today, the general population is more tolerant of the active display of ethnic cultures. The pressure to assimilate is not as strong as compared to the pressure faced by earlier immigrants. The economic and social environment in the early part of the 20th century (namely, the Depression and World War I and II) put more pressure (need for work; desire to be considered American) on early immigrants to assimilate. Those pressures have diminished considerably for many of the newly arriving ethnic groups.

The fast growth of this population segment, as well as the geographic concentration have resulted in Hispanics, as a group, having far less pressure to assimilate than was common among earlier waves of immigration. Also, many Hispanics who immigrated to the United States, and even those born here, are finding that the mass of population identified as Hispanic (approximately 10% of the total U.S. population, and as high as 60% in a number of major cities and metropolitan areas), provides them with the support needed to maintain their cultural heritage.

Over the past ten years, the Hispanic population grew 53% compared to 10% for the entire U.S. population

Many Hispanics may have come to the U.S. with the intention of remaining for a limited time and plan to return to their native country. Given this, there is a strong tendency to retain their ethnic culture and no need to or desire for assimilation. As the institutions which foster Hispanic culture grow, the process of assimilation among Hispanics is further slowed, Institutions such as the media, religious, charitable and social organizations have increased in number and diversity as the Hispanic population continues to increase.

The vast majority of U.S. Hispanics are relatively unassimilated (40.1%) or only partially assimilated (45%). This segment of the U.S. population has retained a significant portion of their cultural values as measure by their social and economic behavioral patterns and selected demographic characteristics. However, the degree of assimilation is not consistent across all demographic or geographic categories. For example, by geographic region, Hispanics living in the southeast part of the U.S. (primarily South Florida) are significantly less assimilated than Hispanics living in the country's central or southwest regions.

There is also a clear distinction in assimilation when focusing on age. On average, children are substantially more assimilated than their parents. Exposure to pop culture and peer influences increase the pace of assimilation for younger Hispanics.

The degree of assimilation for Hispanics also varies according to country of origin. Hispanics originating from Cuba and Central America tend to be less assimilated than Puerto Ricans, Mexicans and South Americans. These differences wold explain, in part, the regional differences in assimilation. The southeast part of the U.S. is less assimilated than other regions of the country, and this is where Hispanics of Cuban descent are predominant.

Ethnicity According to Favorite Personalities Among Hispanic Adult Heads of Household (1991)

	Highly Assimilated	*Partially Assimilated*	*Relatively Assimilated*
SPORTS PERSONALITIES			
Hispanic	37.0%	66.4%	81.1%
Non-Hispanic/American	75.6%	52.8%	32.1%
No Favorite	17.4%	12.8%	12.8%
Total	*	*	*
TV PERSONALITIES			
Hispanic	41.4%	72.6%	88.9%
Non-Hispanic/American	81.1%	53.7%	30.3%
No Favorite	5.8%	6.6%	4.0%
Total	*	*	*
ENTERTAINERS			
Hispanics	37.0%	70.1%	88.2%
Non-Hispanics/American	72.7%	51.8%	30.8%
No Favorite	10.1%	10.8%	5.3%
Total	*	*	*

** Does not add to 100% due to multiple response.*

Source: STRATEGY RESEARCH CORPORATION.

Market Potential

According to the U.S. Census Bureau, the U.S. population increased by 22.2 million persons between 1980 and 1990. Based on preliminary data, the U.S. Hispanic population increased by 7.8 million during the same period. This represented an increase of 53% among the U.S. Hispanic population, compared to 10% for the entire U.S. population.

Total U.S. Hispanic buying power increased from $134.1 billion in 1987 to $165.5 billion in 1991. This is an increase of over 23% in just four years. The growth in aggregate purchasing power is attributed to population growth as well as to an increase in household income. The greatest increase was among Hispanics living in the Western part of the U.S. which experienced a 28% increase in buying power from 1987 to 1991.

In addition to population size, growth and purchasing power, an important measurement of market potential is the propensity to purchase consumer goods. This strong purchasing power of Hispanics in the U.S. is particularly true in the area of electronic equipment. Over 98% of Hispanics own television sets. This fact highlights the importance of this media to this ethnic group. In fact, Hispanics own newer television sets than non-Hispanics. The average price paid for the most recently purchased television set among Hispanics was approximately $450 compared to $462 for non-Hispanics.

Also, approximately 7.3% of Hispanics own video cameras, as compared to 11.5% for non-Hispanics. However, the incidence of ownership of video cameras among Hispanics living in the Southeast part of the U.S. is 13.4%. The market potential for this high-priced electronic product will grow as more and more Hispanics move into the middle and upper middle household income categories.62% of Hispanics own VCR's as compared with 67% of non-Hispanics. Average price paid for VCR among Hispanics is $300 compared to $314 for non-Hispanics. Over 58% of Hispanics own home stereos compared to 50% for non-Hispanics. The average price paid by Hispanics for stereo equipment id $490. The average price paid by non-Hispanics is $583. Data on compact disc equipment purchases show that Hispanics represent 10.3% of the entire market compare to 14% for non-Hispanics. Again, data from the southeast region of the U.S. reveals that purchases of compact disc equipment by Hispanics exceeds that of non-Hispanics. Nearly two-thirds of Hispanics own portable cassette players compared to 53% for non-Hispanics.

Immigration Will Increase

There are close to 25 million Hispanics living in the U.S. This is the fifth largest concentration of Hispanics in the world. By the year 2000, Hispanics will represent over 50% of the population in several large metropolitan areas.

Given that a large percentage of the Hispanic population growth has been and continues to be through immigration, Hispanic culture will continue to dominate social and economic behavioral patterns of the group in general. In addition, this market has an average household purchasing power that is approaching that of the non-Hispanic population, with some Hispanic groups growing faster than others. Hispanics' propensity to purchase consumer products is equal to, if not higher than, the general population.

With a concerted effort to understand the uniqueness of the Hispanic market and a commitment to develop it, many more companies can share in rewards of this market. Ω

PATRICK MORAN *is a Vice President at Strategy Research Corporation, a Miami-based marketing research firm specializing in the U.S. Hispanic Market.*

Total and Regional Buying Power of the U.S. Hispanic Market 1985-1991

Market Region	*1985 Billions*	*1987 Billions*	*1991 Billions*
Total U.S Hispanic	$94.1	$134.1	$165.5
U.S. Regions			
West	$36.7	$52.3	$67.3
Southwest	23.4	33.4	39.1
Northeast	14.7	20.9	25.9
Southeast	11.3	16.1	19.5
Central	8.0	11.4	13.7

Source: STRATEGY RESEARCH CORPORATION.

Names in the News

Emilio Botín

Emilio Botín is Chairman of the Board of Banco Santander. Mr. Botín studied Law in Valladolid University and has a degree as a Lawyer-Economist from the University of Deusto. In November 1986, he was appointed Chairman of the Board of Directors of the bank, continuing as CEO. Santander recently purchased an equity stake in New Jersey's First Fidelity Bancorporation.

G. Richard Thoman

As Chairman and Co-CEO of American Express Travel Related Services Company (TRS), Rick Thoman jointly runs the world's largest travel and financial services company. In Spain, American Express provides Card, Travelers Cheque and travel services, and operates 36 travel offices. The company has played a leading role in promoting tourism to Spain.

Frederick Bush

Frederick M. Bush was appointed Commissioner General of the U.S. Pavilion at the 1992 Universal Exposition in September 1990. As the Assistant Secretary of Commerce for Tourism, he represented the U.S. Travel and Tourism Industry overseas. Mr. Bush served as National Finance Director of the George Bush for President campaign from 1979 to 1980 and Deputy Finance Chairman in 1988.

Cándido Veláquez

Cándido Velázquez is Chairman of Telefónica de España, S.A., Spain's national telephone company, responsible for the general management of Telefónica and all its holdings. On April 15, 1991, Telefónica officially opened its U.S. headquarters in New York City. Before joining Telefónica in 1989, Velázquez was chairman of Tabacalera, what was then the Spanish tobacco monopoly.

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Europe's Single Market: Still Moving Forward

As of March 1, the Council had taken decisions on 70% of the 282 White Paper directives (including 5 partial adoptions and 4 common positions). Still, the Council has over 90 proposals under discussion, and the Commission has requested that this backlog be erased before the end of this year.

Decisions have been reached in all areas of economic activity, and in some sectors, almost everything set out in the White Paper has been achieved (e.g in public procurement, capital movements, banking and technical harmonization). Areas of progress and delays remain essentially the same as reported in previous issues: the abolition of technical barriers is the most advanced area, while the removal of physical controls (on goods and people) and of tax barriers still lags. However, recent successes on company taxation issues and on the collection of value added taxes (which will eliminate border checks for VAT as of January 1, 1993) are encouraging signs that progress on tax issues is not impossible. Further, the member states have agreed to increase duty-free travelers' allowances, the first step toward duty-free travel for EC citizens within the Community.

A continuing source of concern is the relatively poor member state performance in implementing White Paper directives. The increasing number of measures entering into force of late has reduced the member states' transposition rate from over 70% several months age to the current 65%. Only 24 single market measures have been implemented by all 12 member states. Clearly, in order for the single market truly to succeed, the EC countries must improve their productivity on EC legislation. Ω

Tax Frontiers Come Tumbling Down

In a banner year-end eco/Fin Council meeting, EC Finance Ministers formally agreed on a new system of collecting VAT (value added tax) which will scrap border checks for VAT as of January 1, 1993.

Under the agreement, VAT will still be charged on goods at the point of consumption for a transitional period of four years (i.e. the destination principle) once frontiers are abolished, rather than at the goods' origin (which the Commission eventually wants). The new system will replace the current practice of routine border checks and the accompanying Single Administrative Document with periodic VAT declaration forms and invoices supplied by companies, and a new regime of closer cooperation on VAT between member states tax authorities.

Technical details of the new system must still be worked out, and the recent agreement does not cover VAT rates; VAT harmonization will be reexamined by the Council later this year. In addition to the progress on VAT, the ministers reached a parallel political agreement on excise tax frontiers. It calls for a system of linked bonded warehouses to replace customs checks at borders as a means of controlling goods subject to excise duties such as alcohol, tobacco and gas. Taken together, the excise and VAT packages will ensure that border controls will be eliminated by January 1, 1993 while preventing a drop in member state revenues due to tax fraud. Ω

Improved Access to Leased Phone Lines

A new Commission proposal will make it easier for private companies to lease telephone lines from public networks across the EC. The legislation, a first step toward implementing the already adopted Open Network Provision framework directive (which governs access to public telecoms infrastructure), aims to scrap national restrictions on leased lines, to harmonize technical standards and to ensure that procedures for leasing lines are transparent and non-discriminatory. The only remaining national restrictions on leased lines would be in the area of voice telephony. The EC market for "valued-added" telecommunications services such as databases, electronic mail and electronic fund transfers relies heavily on leased lines from public networks, but has often been subject to predatory pricing and conditions by the national public authorities (PTTS). According to Commission sources, this "flourishing" market was worth 2 billion ecu (ecu1=$1.30) in 1989 and is expected to expand to 5 billion ecu by next year. Ω

Cheaper International Calls on Order

Speaking of telephone lines, the International Telegraph and Telephone Consultative Committee (CCITT) has agreed, under pressure from the EC Commission and the US and UK governments, to remove most of its restrictions on the use of international private circuits. These practices restrict market access to international circuits, enhancing the profitability of international calls for the world's public telephone companies. Last year a Financial Times London study revealed that consumers were being overcharged more than $10 billion a year for international calls through CCITT members; shortly thereafter the Commission launched its own investigation into the CCITT arrangements.

Not only will consumers benefit from cheaper calls as a result of the CCITT's "voluntary" reforms: they should also spur the growth of cross-frontier information services and increase opportunities for private companies in the telecommunications market. Ω

Source: EUROCOM

On the Exchange

Telefónica

Exchange: NYSE
Symbol: TEF

ADR Share Price Results($)
1990

High	27.125
Low	23.375
Close (12/31)	26.375

In 1990, Telefónica unaudited results show net income of Ptas. 75,714 million ($718.3 million), with an increase of 9.9 % over the previous year. Earnings per share went up to Ptas. 81.7 (0.84), 9.7% up on 1989, and cash flow per share reached Ptas. 413.4 ($4.27), a 14.3% increase on last year's figure.

Revenue from operations reached Ptas. 832,317 million ($8,588.6 million) which represented a 18.3% improvement on the 1989 figures. Operating expenses amounted to Ptas.356,420 million ($3,677.9 million), with an annual increase of 22,5%.

Telefónica's activity during 1990 was characterized by the continuing investment effort, amounting to Ptas.694,560 ($7,167.1 million), 15.6% higher than that of 1989. This investment effort has provoked a high increase in the financial expenses, that amounted to Ptas. 149,362 million ($1,541.3 million), 42,3% more than in 1989. The restrictive monetary policy, which reflects negatively in interest rates, and limitations on foreign financing, have been additional negative factors.

Regarding the service, the high annual investment allowed Telefónica to install 1,564,624 new Lines (6.3% higher than in 1989) and the waiting list has fallen by 28.5%, going down to 379,892 at the end of the year.

April 15 marked the official opening of Telefónica's United States headquarters in New York. The move confirms the importance that the company attaches to having an active presence in the U.S. market and will help service transatlantic business.

Endesa

Exchange: NYSE
Symbol: ELE

ADR Share Price Results($)
1990

High	25.13
Low	18.13
Close (12/31)	22.87

The major factors affecting the Endesa Group's results for the fiscal year 1990 are the increase in demand; the irregular distribution of such demand throughout the year which, together with the high hydro availability during the early part of the year, has resulted in a different fuel mix; and the Bank of Spain's restrictive monetary policy which resulted in high domestic interest rates.

Demand rose 4.5%, the biggest part of that increase taking place during the last quarter of the year. Total electric industry hydro production was 36% higher than in 1989. Having very little dependence on oil, the cost increases of this fuel caused by the Gulf crisis had a negligible impact on the industry.

Endesa's production was 1.8% over that of 1989, which had itself achieved an historic production record. The fuel mix was significantly different from that of the previous year: coal-burning generation went down by 2.1% while the nuclear one increased 5.3%.

Net income was Ptas 79.66 billion (US$831.96 million at the December 31, Federal Reserve Bank noon-buying rate of 95.75) which represents and increment of 11.1 percent in respect to the previous year, despite the increase of 3.8% in the overall effective tax rate.

On the operational side, one of the most important events of the year was the closure of the Vandellós I nuclear plant.

The First Iberian Fund

Exchange: ASE
Symbol: IBF

Market Price(3/1):	$11.13
NAV (3/1):	$9.79

Portfolio Composition (3/31/91)

Equity Securities	87.20%
Fixed Income Securities	10.67%
Short-Term Investments	2.04%

Geographical Composition (3/31/91)

Spain	94%
Portugal	5%
United States	1%

A diversified-closed end fund, the First Iberian Fund has the objective of long-term capital appreciation through investments primarily in equity securities traded principally on stock exchanges in Spain and Portugal.

During the first quarter of 1991, the Fund appreciated by 23.2%, underperforming the Spanish market's 27% rise due to the diversification of the portfolio and its conservative posture.

Spain, as well as Italy and Finland, had been one of the worst markets during the Gulf Crisis. When the crisis ended, the Spanish bolsa jumped ahead of most international markets for two basic reasons. First, it had been clearly oversold domestically and by foreigners. Second, perceptions on the fundamentals of the economy had been overly pessimistic during the crisis.

On the Exchange

The Growth Fund of Spain

Exchange: NYSE
Symbol: GSP

Market Price(3/31):	$10.13
NAV (3/31):	$11.51
Annual Dividend:	$ .36

Since its offering in February 1990, the Growth Fund of Spain has sought long-term capital appreciation by investing primarily in equity securities of Spanish companies.

Because of the events in the Middle East, the Fund is structured more defensively, focusing on banks, utilities, food, real estate and companies benefiting from infrastructural expenditures.

The portfolio is approximately 75% invested in Spanish equities, 24% in U.S. commercial paper and the remaining 1% in Spanish convertible bonds. There are currently 43 equity issues. As of December 10, 1990, the Fund had repurchased and retired 578,200 shares. The first quarter in 1991 saw a return on investment of 14.07%.

The Fund's ten largest holdings include:

*Endesa
*Repsol
*Banco Popular Español
*Hidroeléctrica Iberia Iberduero, S.A.
*Telefónica, S.A
*Viscofan, S.A
*Bankinter
*Corporación Financiera Alba, S.A.
*Dragados y Construcciones
*Banco Andalucía

The fund has had a trading range in the fourth quarter 1990 of a high of $9 to a low of $7.875. The net asset value has had a high of $11,27 and a low of $9.92. It had a NYSE close of $8.125 and a net asset value of $10.25 on December 31, 1990.

BC

Banco Central

Exchange: NYSE
Symbol: BCM

ADR Share Price Results($)
1990

High	25.50
Low	18.50
Close (12/31)	23.13

Financial revenues for Banco Central in 1990 amounted to 515,896 million pesetas corresponding to an increase of 53,438 million pesetas, 11,56% over prior year, with financial costs of 326,133 million pesetas. A firm control was exercised over the growth of such financial costs, and has permitted Banco Central S.A. to be one of two six larger spanish banks to increase to operating margin.

1990 was a very difficult year for the spanish bank industry due to the increase in the cost of customers' deposits and the reduction in the funds that had to be assigned to loan provisions.

The consolidated pre-tax profits, according to data, amount to 1.62% of the average total assets compared to 1.56% last year reaching 76,692 million pesetas, an increase of 13.80% after exceptional contribution to reserves and amortization for the year in the amount of 82,264 million pesetas, with this amount to increase to 105,264 million pesetas including estimates incomes taxes.

The group shareholder's equity increased 27.12% in the consolidated balance sheet, with 4.428 million pesetas corresponding to an increase in capital of Banco Central, and 49,038 million to an increase of reserves.

The 1991 perspectives for the banking industry show a year of strong competition which will now affect both deposits and lending.

BBV

Banco Bilbao Vizcaya

Exchange: NYSE
Symbol: BBV

ADR Share Price Results($)
1990

High	36.75
Low	24.75
Close (12/31)	25.50

Banco Bilbao Vizcaya Group made a pre-tax profit of 141.5 billion pesetas in 1990. Net earnings per share amounted to 439 pesetas, a rise of 10.3% over the previous year's figure of 398 pesetas. A dividend per share of 158 pesetas, representing an increase of 7.2% will be proposed to the shareholders at the Annual General Meeting.

Net interest income reached 333,461 million pesetas. This item shows the impact of reclassification of formerly preferential rate customer funds totalling 700 billion pesetas and of the rising cost of funds through intensified competition for customer deposits. Both these factors have resulted in net interest income falling 2.8% with respect to 1989.

The launch of high interest accounts, particularly the popular "Libreton", has mitigated the effects of the restrictive government policies and has actually allowed BBV to gain market share. The balance on high interest accounts approached 500 billion pesetas at the end of 1990. The one million Libreton accounts, half of which were opened by new customers, accounted for 250 billion pesetas.

The payout ratio is 36% and the reinvestment ratio is, at 64%, the highest among the large Spanish banks, ensuring a high level of liquidity and the ability to sustain growth with an overall conservative approach.

Fax Poll

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1) Are you a member of the Chamber? .... ☐ *Yes* ☐ *No*

2) Do you see *The Business Link* as a member service? .... ☐ *Yes* ☐ *No*

3) How many copies of *The Business Link* does your office receive? ____________

4) Type of business?
please specify ____________

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14) Magazine editorial & design *(check all that apply)*
☐ *needs more color* ☐ *too many sections* ☐ *evenly-paced*
☐ *easy-to-read* ☐ *more Spanish articles* ☐ *well-written*

Please respond by May 30

Spanish Nationals and the U.S. Immigration Act of 1990

The new legislation directly effects every aspect of immigration including tourist visa restrictions, the transfer of Spanish professionals to the U.S. and Spanish nationals with extraordinary abilities

BY RONALD STORETTE

This article will furnish the reader with an overview of the Immigration Act of 1990, landmark legislation which was signed by President Bush on November 29, 1990. The article will focus on the changes in the U.S. nonimmigrant temporary employment visa categories and on the changes in U.S. permanent residence procedures as they will affect Spanish nationals wishing to enter the United States on a temporary or permanent.

The Immigration Act of 1990 could affect Spanish nationals by extending and broadening the visa waiver pilot program through which tourists may enter the United States without obtaining a visitor's visa obtaining a visitor's visa.

The Immigration Act of 1990 (the "Act") is the most comprehensive reform of U.S. immigration law since 1965. The Act contains extensive procedural changes in both the temporary employment of Spanish nationals in the United States and U.S. permanent residence. The effective date for most immigrant and nonimmigrant visa changes will be October 1, 1991, unless otherwise noted.

Nonimmigrant Visas

There are many changes in the temporary nonimmigrant visa classifications. There are four new nonimmigrant visa categories, as follows:

The O-1 visa category will be available to Spanish nationals who have extraordinary ability in the sciences, arts, education, business or athletics and who can demonstrate achievement by sustained national or international acclaim.

The O-2 visa category will be available to Spanish nationals who will assist in the performance of O-1 aliens of extraordinary ability and who are an integral part of such performance, due to critical skills or a long-standing relationship with the performing alien.

The P visa will apply to Spanish nationals who either (1) perform as athletes, individually or as part of a group or team at an internationally recognized level, or perform as part of an entertainment group that is internationally recognized, or (2) perform as artists or entertainers, individually or as part of a group, or are an integral part of the performance of such a group. P visas will be limited to 25,000 visas annually. The Q visa will be for Spanish participants in international cultural exchange programs that provide practical training and a shared experience of culture. The R visa will be available to aliens in religious occupations.

The Act will extend and broaden the visa waiver pilot program through which tourists may enter the United States for up to 90 days without obtaining a visitor's visa. This provision went into effect upon enactment and allows the Attorney General and Secretary of State to designate jointly additional countries to participate in this program. This is significant for Spanish nationals, since, thus far, they have been unable to take advantage of this pilot program.

For E-1 treaty trader visa purposes, the definition of "trade" will include trade in services and technology, including banking, insurance, transportation, communications and data processing, advertising, accounting, design and engineering, management consulting, tourism and technology transfer. Further, the Secretary of State will be responsible for establishing whether an investment is "substantial" for purposes of qualifying for E-2 treaty investor status or whether the trade is "substantial" for E-1 treaty trader status.

F-1 student visa holders will, for the first time, be entitled to 20 hours of off-campus employment weekly not related to their field of study without showing financial need for such employment.

The Act will narrow those Spanish nationals eligible for the H-1B visa category, which is presently available to all Spanish nationals of "distinguished merit and ability". As of October 1, 1991, this category will no longer include nurses, entertainers, athletes, artists, models or prominent business people. This category will only include Spanish nationals engaged in "specialty occupations", defined as occupations that will require highly specialized knowledge and the attainment of bachelor's or higher degree in the specific specialty or its equivalent.

In addition, the Act will require that all H-1B employers first file a "Labor Condition Application" with the Labor Department, confirming that the employer will pay at least the local prevailing wage and offer prevailing working conditions.

Permanent residence will now divided into four categories: Family-Based Immigration; Employment-Based Immigration; Transition Visas; and Diversity Immigration

Further, the Act will impose, for the first time, a maximum annual limit of 65,000 H-1B visas, excluding accompanying family members. On a positive note, H-1B visas will by valid for an aggregate period of six years.

There will also be changes in the L-1 intra-company transferee visa category, which include extending the maximum stay for L-1 Spanish managers and executives to seven years, while limiting Spanish nationals with specialized knowledge to the present five years. Further, it changes the previous employment requirement from one year " immediately preceding" the U.S. transfer to one year "within 3 years preceding" such transfer.

In addition, the present definition of "specialized knowledge" for L-1 purposes will be redefined to "special knowledge of the company product and its application in international markets" or "an advanced level of knowledge of processes and procedures of the Company". The Act will also allow certain international accounting firms to qualify for L-1 status.

Permanent Residence Procedures

Permanent residence will now be divided into four categories: Family-Based Immigration; Employment-Based Immigration; Transition Visas; and Diversity Immigration.

The Act will increase the annual limit for family-based immigration to 465,000 for fiscal years 1992 to 1994 and then raise the annual limit to 480,000. Although there is still no limit for "immediate relatives" of U.S citizens, they will be included in this annual limit until 226,000 family-based immigrant visas have been issued for that year.

The preference categories will be changed as follows: First Preference is reserved for unmarried sons and daughters of citizens; Second Preference is for spouses and children (under 21) and unmarried sons and daughters of permanent residents; Third Preference is for married sons and daughters of U.S. citizens;and Fourth Preference is for brothers and sisters of U.S. citizens who are at least 21 years of age.

Employment-Based Immigration will be divided into 5 new categories and there will be 140,000 employment-based immigrant visas available annually. These categories include Priority workers; Professionals Holding Advanced Degrees and Aliens of Exceptional Ability; Skilled Workers, Professionals Holding Basic Degrees and Other Workers; Special Immigrants; and Investors.

Priority Workers (40,000 annually) will include Spanish nationals with extraordinary ability in the arts, sciences, education, business or athletics; outstanding professors and researchers; and certain multinational executives and managers. Professionals Holding Advanced Degrees (or equivalent) and Aliens of Exceptional Ability (40,000 annually) will be required to hold at least Masters Degrees or have exceptional ability which will substantially benefit the United States. Skilled Workers, Professionals Holding Basic Degrees and Other Workers (40,000 annually) will include skilled workers with two years of training and/or experience; professionals possessing baccalaureate degrees; and other workers capable of performing unskilled labor that is not temporary or seasonal and is in short supply in the United States. Special Immigrants (10,000 annually) will be reserved for religious workers. Investors (10,000 annually) will include those who invest at least one million dollars in a new commercial enterprise and who create at least ten jobs for U.S. workers.

Transition Visas (40,000 annually) will be available in fiscal years 1992, 1993 and 1994 to aliens who are natives of foreign states that have been identified as adversely affected states. In this regard, 16,000 of these visa numbers have been reserved annually for citizens of Ireland.

Diversity Visas, 55,000 annually, will be available as of October 1, 1994. They will be available to immigrants from low-admission states in low-admission regions, who have a firm commitment for at least one year of employment in the United States.

Additional visas are reserved for aliens who applied for NP-5 visas and were notified of their selection before May 1, 1990, but did not receive the NP-5 visas due to numerical and fiscal year limitations.

As the above summary indicates, the Immigration Act of 1990 contains major changes that will affect Spanish nationals who wish to live and work in the United States. It contributes to an already complex immigration system and increases the need for legal counsel specialized in U.S. Immigration Law. This legislation also creates new nonimmigrant and immigrant visa categories while limiting various existing categories. Most importantly, the Act provides an increase in employment-based immigration, which will facilitate the transfer of Spanish professional executives and managers to the United States. Ω

RONALD F. STORETTE *currently practices United States Immigration and nationality law in New York City. As a partner in the firm of Baker & McKenzie with offices in Spain, Latin America and South America, Mr. Storette also lectures and writes extensively on matters pertaining to the United States immigration laws and regulations.*

Foreign Investors in U.S. Companies Must Contend with Statutory Shield

Under the Exon-Florio Amendment, the President can block investment that affects national security

BY EVERETT S. CARBAJAL

American protectionist attitudes against the Japanese and other foreign investors prompted Congress in 1988 to provide the president with a statutory shield against foreigners interested in a merger, takeover, or acquisition of a U.S. company. Under the Exon-Florio Amendment to the Omnibus Trade and Competitiveness Act of 1988 ("Exon-Florio"), the president may block or modify the terms of such investments by foreigners if he deems that they threaten the national security of the United States. Exon-Florio is thus a potent law which foreign investors interested in U.S. companies should keep in mind.

> Nowhere in the statute is there a definition of national security

Exon-Florio empowers the president with the legal authority to "suspend or prohibit any acquisition, merger, or takeover of a person engaged in interstate commerce in the United States by or with foreign persons so that such control will not threaten to impair the "national security" of the United States. Nowhere in the statute is there a definition of what constitutes an impairment of national security. Exon-Florio's legislative history indicates only that the term is to be interpreted broadly.

Concern for Japanese Takeovers

Back in 1987, Senator Exon (Democrat-Nebraska) and Representative Florio (Democrat-New Jersey) sponsored the Exon-Florio bill which was to become law the next year. Senator Exon was apparently concerned about Japanese attempts to take over American companies, especially after the White House informed him that, unless the president declared a national emergency, there were no laws which could prevent foreign interests from taking over an American company. All this occurred during a period in which American protectionist sentiments were strong, particularly against the Japanese, who many claimed were not opening up their market to American products.

Today, with so much talk about worldwide trade liberalization, many claim that Exon-Florio's procedures go against the grain of an international effort to loosen trade restrictions. Others argue similarly that Exon-Florio's mere existence is in fact hypocritical, considering, for example, U.S. Government claims against the EEC regarding what the U.S. calls a "Fortress Europe".

Committee on Foreign Investment

It is actually through the Committee on Foreign Investment in the United States ("CFIUS") that the president investigates proposed mergers, takeovers and acquisitions of U.S. firms to determine if they threaten the national security of the United States. CFIUS was formed by president Ford in 1975 in reaction to concerns about the flow of foreign investment into the United States after the Arab oil embargo and the dramatic increase of petroleum prices. CFIUS then served primarily as an advisory and information-gathering task force. In December of 1988, four months after Exon-Florio became law, president Reagan officially designated CFIUS to discharge the Executive Branch's responsibilities under the statute. Currently, CFIUS is an eight-member Cabinet level committee chaired by the Treasury Secretary, and its duties include receiving notice from parties involved in proposed acquisitions, undertaking the investigations of such proposed acquisitions required under Exon-Florio, and making formal recommendations to the president regarding a proposed acquisition's perceived impact on the national security of the United States.

Without a precise definition of the key term, "national security", CFIUS has much discretion to decide what constitutes a threat to national security, and this has concerned many who have claimed that Exon-Florio has protectionist objectives.

The Mechanics of Compliance

The regulations under Exon-Florio are still only in draft form, but CFIUS nevertheless operates under them. The significant legal effect of the Exon-Florio regulations is that they render all acquisitions (as defined by the regulations) to be indefinitely subject to presidential action, including divestment, unless and until the acquisition has been subject to review by CFIUS. In order to secure approval by CFIUS to clear a deal, the parties to an acquisition must submit the proper regulatory notice to CFIUS, detailing information about the proposed transaction and the parties involved.

Under Exon-Florio, there are only two types of notice: (I) "voluntary notice" (submitted by a party or the parties to an acquisition, be it the foreign investor or the American firm) and (2) "agency notice" (submitted by any member of CFIUS). Once either type of notice is properly filed, CFIUS notifies the parties involved within thirty (30) days as to whether their transaction is objectionable warranting further investigation, or can proceed to a closing. If CFIUS determines that a further investigation is necessary, it has another forty-five (45) days to conduct that investigation and to forward its recommendation to the president. The president then has fifteen (15) days to announce whether or not he will intervene in the transaction, that is, whether he will have it: blocked or modified, or whether the transaction can be cleared.

Although the nature of compliance by the parties to a proposed transaction is purported to be voluntary under the regulations, once an "agency notice" is submitted (that is, the point at which a member agency of CFIUS has reason to believe that the acquisition may have adverse impacts on U.S. national security and raises that concern to the other CFIUS members) then the parties to a transaction are obligated to provide the required information to CFIUS. Moreover, because a transaction is subject to divestment if CFIUS later determines that an unreported transaction threatens the national security, Exon-Florio notification is voluntary only in name.

Exon-Florio's Scope: From Defense to High-Tech

Even though there is no precise definition of what constitutes a threat to national security, experience has shown that scrutiny is given to the following sectors: sole suppliers of Defense Department equipment, companies which manufacture high technology products companies engaged in classified information, and companies dealing with export products under tight control.

As of February 1991, over 500 transactions have been reviewed, about a dozen have undergone a full CFIUS investigation, and only one has been blocked (a Chinese company's proposal to acquire an American aircraft components company). However, no one knows how many others have been avoided, frustrated, or dropped entirely because of Exon-Florio since many foreign investment authorities contend that even the threat of a CFIUS investigation wards off investors. They cite the example of a recent transaction in which a Japanese company, Fanuc, claimed that Exon-Florio's "burdensome nature" prompted it to drop its proposed acquisition of 40% of Moore Special Tool Inc., a Connecticut machine tool builder that manufacturers nuclear weapons for the U.S. Government. Others have similarly argued that the mere existence of Exon-Florio ironically threatens the national security of the United States by scaring off foreign capital which some claim is badly needed in the United States.

> **Some argue that the mere existence of Exon-Florio ironically threatens U.S. national security by scaring off badly needed foreign capital and direct investment**

On the other hand, Senator Exon himself has stated that he considers Exon-Florio to be a success, because, in his opinion, the whole review process has "created a level of scrutiny and compliance with other laws unknown prior to the enactment of [Exon-Florio]."

There have been attempts to amend the statute to define the phrase "a threat to national security" as including, among other things, anything that would have an adverse impact on U.S. economic competitiveness. Such attempts have failed up to now. Currently, legislators are not so much concerned about Exon-Florio's scope as they are with a legal conundrum (described below) which has put Exon-Florio's statutory status in limbo.

Revival by Congress

Exon-Florio legally expired in the fall of 1990, due to a legal technicality and Congress' failure to vote on an extension. Since then, Exon-Florio has been in legal limbo. However, on February 5 of this year, the Senate voted to extend Exon-Florio (more accurately, to revive the Defense product Act of 1950, the statute Exon-Florio actually amended) until March 18, 1991. Most recently, the House of Representatives voted to extend the statute until September 1991. Because all such extensions are retroactive, CFIUS and most trade lawyers have been operating as if Exon-Florio were still alive. For example, during this period of lapse, even though some lawyers have stated that there is a "window of opportunity" for foreign investors wishing to acquire U.S. firms, most were nevertheless continuing to advise their clients to report their transactions under Exon-Florio guidelines, lest a deal be undone in the future when Exon-Florio is officially revived with retroactive effect.

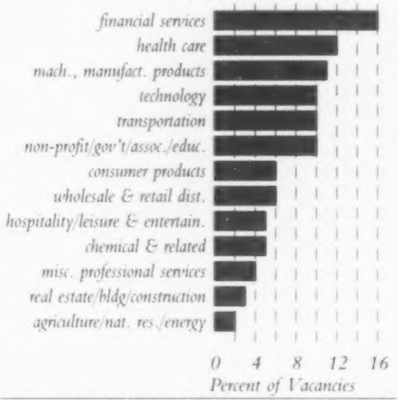
The Exon-Florio Amendment's existence will continue to have an effect on foreign direct investment in the United States. Although many question what some claim to be its protectionist motivations and objectives, it is nevertheless a law of concern to foreign investors. In most cases, it will be in the best interest of those foreign entities wishing to acquire, merge, or take over a U.S. company to notify CFIUS if the proposed transaction will arguably threaten the national security of the United States. Ω

EVERETT S. CARBAJAL *is an Associate with the New York Office of Baker & McKenzie, an international law firm with offices in Barcelona and Madrid and Latin America. Special thanks to Jose W. Fernandez and Jon S. Eichelberger, attorneys at Baker & McKenzie, who commented on drafts of the article. For a complete list of citations, please contact the author.*

Banco Santander Buys Equity Stake in First Fidelity

In March 1991, Banco Santander purchased 9.5 million common shares of the First Fidelity Bancorporation of New Jersey for $220 million. According to the *Wall Street Journal*, the bank also acquired warrants giving it the right to buy 9.5 million more shares for $242.4 million, increasing its stake to 24.9%. Mr. Emilio Botín, Santander's chairman, claimed that the purchase represents the only direct investment in a major regional U.S. banking company. First Fidelity is one of the largest 25 banking companies in the U.S.

U.S. Index of Executive Vacancies 1990



Source: Korn/Ferry International

Saffa Controls 55% of Sarrio

The Italian paper and packaging group, Saffa, gained majority ownership of Sarrio, S.A., which specializes in a variety of paper products. According to the *Financial Times* of London, the deal continues Saffa's strategy of expanding into the Spanish paper and packaging market. After buying 24.6% stake in Sarrio in early 1989, Saffa transferred its Saffa Cartiere subsidiary to Sarrio in return for further equity.

EXPO 1992 Contract

A $44 million construction management contract has been awarded to the P&O company Bovis International to convert the Plaza de Armas Railway Station in Seville into an exhibition center in time for the Expo 1992 World's Fair. Work will be undertaken by subsidiary company Bovis international de Espana, S.A. The fifteen month project involves the construction of a five-story four star hotel, office tower and underground parking lots.

Gulf Crisis Hampers Tourism in Spain

Visitors to Spain in January 1991 fell 11% to 2.4 million from year earlier. Tourism revenue accounts for 10% of Spain's GDP and 40% of foreign currency earnings. According to the Wall Street Journal, the number of U.S. tourists took a particularly steep dive of 40% to 32,226 as American curtailed travel abroad after the Gulf war began. Mr. Arturo Cardelus, president of Iberia Intercontinental, is seen below discussing Iberia Airlines' new organization and their efforts to find ways to collaborate with and assist the major American tour operators.

Minimum Wage in Spain Increases

As of 1991, Spain increased its minimum wage by 6.5% to 1,775 pesetas ($18.40) a day. According to the Wall Street Journal, the Spanish Labor Ministry claimed that the increase was based on inflation estimates as well as consultations with business and labor leaders. The government forecasts that inflation will be around 5% in 1991, compared with 6.7% as of December 1, 1990. Unions said the increase wasn't sufficient to enable workers to regain purchasing power lost in recent years.

Iberia Takes Stake in Chilean Carrier

In its effort to extend its Latin American network, Iberia Airlines acquired a 35% stake in the Chilean airline Ladeco. This follows Iberia's recent purchase of a 30% share in the Argentine carrier, Aerolineas Argentinas. According to the *Financial Times* of London, Iberia's link with the Chilean carrier will allow it to rationalize its services to Latin America, which are among that airlines most profitable routes.

Javier Romero Design Opens Madrid Branch

The New York-based design and illustration firm, Javier Romero Design, has recently opened a new branch in Madrid in its effort to better serve its Spanish client-base as well as american clients with interests in Spain. With the corporate endorsement of Apple Computer Espana S.A., the firm offers a full range of visual marketing communication products including annual reports, advertising services and promotional literature in Japanese, German, English and Spanish. The move represents the increasing internationalization of the design industry and the firm's goal to market its extensive experience in communications in New York to clients in Spain and the Common Market. The new office is located at 8 Pedro Muguruza, Madrid 28023, tel: (341) 457-4384.

Banco Hispano Appoints Amustegui as Chairman

Effective January 1, 1991, Mr. José María Amustegui de la Cierva was appointed Chairman and Chief Executive Officer as Banco Hispano Americano. A native of Cadíz, he has been nominated to various posts in the public and private sectors including Vice Chairman of the Instituto Nacional de Industria (INI), Vice Chairman of Prodinsa, Chairman of Industrias de Telecomunicacion and Deputy Chairman of Banco Hispano Americano.

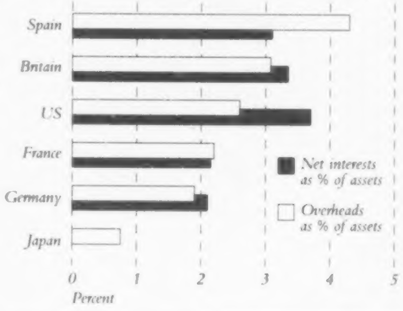
Dupont Starts Direct Investment Projects in Asturias

Plans are going ahead at Dupont de Nemours to invest $1 billion in the autonomous region of Asturias in the northern Spain. Dupont seeks to develop several fiber manufacturing projects for garments over the next eight to ten years, including the construction of at least three factories that will employ the region's highly-skilled labor force. Due to the size and scope of the transaction's effect on Asturian economy, the projects will also receive a total grant from the Asturian regional government of approximately $300 million.

Spanish Banks Register Strong Profits in 1990

According to the *Economist*, IBCA Banking Analysis, a London bank rating agency raised the ratings on Spain's largest banks and proclaimed the Banco Popular the world's most profitable bank. In 1989, Spanish bank profits rose by 29% and pre-tax profits for most Spanish banks in 1990 averaged 14%. Most banks have healthy capital and meet EC capital adequacy ratios comfortably. Despite their Hispanic links, Spanish banks have little exposure to third world borrowers and do not have to contend with commercial property-related problems as their American counterparts do. Smaller margins are imminent as competition increases with financial liberalization and interest rates drop.

Spain in the Lead
Big Banks' Margins and Costs, 1990



Source: IBCA BANKING ANALYSIS

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IFEMA Participates in New York Vision/Expo Fair

Representatives of IFEMA, the Madrid Trade Fair Organization, participated in VisionExpo, held at the Jacob Javits Center in NYC February 8-10. IFEMA's aim was to promote Expo/Optica, the Spanish trade show of optical goods which was held April 26-29, 1991 in Madrid.

VisionExpo is the largest, most comprehensive eye care event held in the USA. This year it attracted more than 8,000 participants. Nearly 96% of those in attendance have the authority to recommend, specify or purchase products, and 50% of them signed purchase orders at the show. More than 60% of those present were optometrists and opticians. VisionExpo visitors will purchase $400 million worth of products and services in the coming year.

The exhibit of Expo/Optica was well received by both Americans and foreigners alike, surpassing all of IFEMA's expectations. Much interest was shown by Latin Americans. Expo/Optica is a monographic show targeted at opticians, ophthalmologist, hearing specialists and scientists and researchers, and is becoming one of the most important optical trade shows in Europe. The 1990 or ninth edition of the show attracted 357 exhibitors and 6,776 visitors. Ω

For further information on Expo/ Optica or IFEMA contact Ignacio Ravell in NYC at (212) 594-1618 or David M. Keeble in Miami at (305)444-9500.

IAA '92 Congress in Barcelona

The focus of the International Advertising Association (IAA) will be on Spain in 1992, as it will hold in Barcelona the 33rd IAA World Advertising Congress, September 27-30, 1992.

The World Congress is the bi-annual highlight of the IAA calendar and usually attract some 1,500 to 2,000 participants from all over the world. The September 1992 event, or Barcelona/IAA '92 as is now known, is being organized by the IAA Spain Chapter, in close liaison with the IAA's World Board and Secretariat.

It is appropriate that the IAA World Congress should take place in Spain and in Barcelona at that time. Spain is described as the "hottest" advertising market in the world today. There are two important reasons for that notoriety:

(1) The creative work of the advertising industry is "world class." The country has a superb talent pool and facilities to ensure outstanding and effective advertising.

(2) The result...total advertising expenditures have increased dramatically from $713 million in 1980 to $5.6 billion in 1989. At an average increase of 20% per annum, they should be over $12 billion by 1992.

By the time of the Congress, Spain could be the fifth-largest advertising market in the world.

For details on the IAA World Congress, Barcelona, contact Jordi Garriga, Paseo Bonanja 13, 08022, Barcelona, Spain, Tel: (343) 212-8765, Fax: (343) 238-2810. Ω

Valencia Trade Fairs

Valencia has been the venue for international trade shows for over 70 years. The region's diverse products include agricultural products, ceramics and crystal, tiles and marble, furniture, toys, and lighting.

Textilhogar, the 22nd International Fair of Home Textiles and Decoration, took place January 15-19, 1991 and attracted hundreds of exhibitors and 10,000 visitors from all over the world.

Cevisama, the 9th International Exhibition for Ceramics, Glass, Natural Stones and Facings for the Building Industry, took place March 8-12, 1991.Over 5,000 professional visitors attended the first day alone.

A group of veteran shows were held from April 18-22: Cevider (International Fair of Ceramics, Glassware and Decorative Articles), Fiam (International Fair of Lighting Fixtures & Lighting accessories and components), and Habitat (an interior design and decoration fair). Ω

For additional information on the Valencia Shows, contact Spanusa Trading Group, Inc. at (914) 381-5555.

INFORMAT 91

The United States and Foreign Commercial Service (US&FCS) is organizing a U.S. Pavilion at the INFORMAT 91 trade exhibition, Barcelona, Spain, May 27 - June 1, 1991. INFORMAT is Spain's leading computer, peripherals, and software exhibition, the only fair exclusively for professionals and the computer industry. INFORMAT 1991 will feature:

* Hardware/Equipment
* Software/Services
* Telecommunications/ Equipment and Services
* Auxiliary Informatics Materials
* Consulting Services/ Technical Publications

Informat 90 hosted 401 direct exhibitors representing a total of 741 companies, of which 299 were U.S. It was visited by 68,295 buyers.

INFORMAT 91 is expected to have a booth area of 30,000 square meters, and to host 450 direct exhibitors and a total of 800 companies. INFORMAT is an ideal way for U.S. companies to break into the Spanish market.

The computer market is growing faster in Spain than in any other country in the European Community. In 1989 it grew by roughly 20% in unit terms and 10% in value to $1.8 billion. Similar growth over the next three years is expected.

U.S. Pavilion participants at INFORMAT 91 can rent a 12 square meter booth, while for a smaller fee, firms can display catalogs in a catalog show. Ω

For further information please contact: Mr. Robert L. Lapides, Director, World Access Corporation, tel: (617) 235-8095, fax: (617) 235-7360.

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Countdown to Seville Expo '92: US Pavilion Sponsor Update

When Seville's 1992 Universal Exposition opens its gates to commemorate Columbus' epochal voyage of discovery, the U.S. Pavilion will showcase the country's innovation, and competitiveness in the 320 million person market created by the economic integration of the European Community.

A record 110 nations and 20 international organizations are scheduled to participate in Expo '92. Over 40 million visitors and 50 heads of state are expected to visit the site.

In a decade when the ideas of democracy and freedom have achieved world prominence, the U.S. Pavilion will demonstrate that "Democracy is based upon the conviction that there are extraordinary possibilities in ordinary people." Extraordinary contributions by ordinary Americans in the fields of science, industry and the arts will be featured in the Pavilion, whose objective is to promote trade, tourism, investment and culture.

The President of the United States' mandate to the United States Information Agency (U.S.I.A.), the branch of the government responsible for international expositions, was to create a public-private partnership drawing on the best in corporate and private America. Congress provided $13 million in seed money for the U.S. Pavilion at Expo '92, which will be matched by private sector sponsorships, exhibits, and contributions - giving the U.S. a public-private partnership of unprecedented dimension and significance.

The following corporations have announced their sponsorship of the U.S. Pavilion:

The American Plywood Association (APA) will build a "Model Home of Tomorrow" on the U.S. Pavilion site to promote uses of American-made wood products. APA's member mills produce about 80% of the structural wood panel products manufactured in the U.S., and does quality validation, including inspection and testing in its laboratories. APA's participation in the Pavilion will further strengthen the already strong international presence it enjoys in Madrid, London, Antwerp, Hamburg and Tokyo.

Frederick Bush (second from left) and H.E. Zappala, Ambassador to Spain (fourth from left) at the ground breaking ceremony for the U.S. Pavilion.

The Coca-Cola Company is sponsoring the Commissioner General's VIP Lounge. The Lounge will be a quiet, sophisticated retreat where the Commissioner General can entertain heads of state, visiting royalty and foreign dignitaries, as well as international business leaders and celebrities. Access to the Coca-Cola VIP Lounge is one of the benefits accorded U.S. Pavilion sponsors and contributors. CEOs and the leadership of corporations, associations and states will be able to entertain their guests. In addition, the Lounge's reception areas can be used for seminars, conferences, and sales meetings.

U.S. Sprint is sponsoring an international Video Teleconference Center. This state-of-the-art telecommunications facility, with the technological capability to link with locations throughout the world, will provide an ideal venue for press conferences, seminars, marketing meetings and other special events. Working with U.S. Sprint, the U.S. Pavilion hopes to host teleconferences on such subjects as quality and competitiveness. Access to the U.S. Sprint Teleconference Center is another benefit for U.S. Pavilion sponsors and donors.

Sea-Land Service, Inc. of New Jersey, the first contributor to the Pavilion of "in-kind" products and services, is donating all the containers and services required for U.S. overseas shipping needs. Sea-Land Service, Inc., a division of CSX Corporation, is a world leader in international intermodal freight transportation and related trade services, serving over 80 ports in 70 countries.

A number of other Fortune 500 corporations actively are considering participation in the U.S. Pavilion. A "Quest for Quality" exhibit is being planned which will showcase the United States' commitment to quality products and services.

Partnership in the U.S. Pavilion is open to corporations, associations and individuals as well as states and cities. Opportunities for extraordinary market exposure still are available and include major sponsorships, such as those for the Performing Arts Plaza and the Cultural Program. Exhibits also are possible.

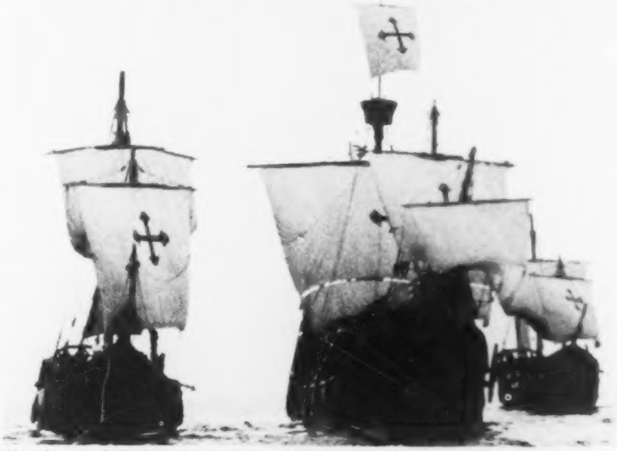
In addition, while they can vary greatly in their monetary value, other sponsorships such as those for National Day, National Week, Opening Day and Columbus Day as well as in-kind contributions - will give every participant a chance to share in this historic international event. Ω

About the Author:
ROSE-ANNE BARTHOLOMEW, *works for the U.S.I.A. in the Office of the United States Commissioner General for Seville Expo '92 and is responsible Corporate Relations. Wife of the former Ambassador to Spain, Reginald Bartholomew, she lived and traveled extensively in Spain. For further information on Expo '92 call (202) 401-7162.*

Quincentennial Offers Unique Marketing and Licensing Opportunities in the U.S.

The Sociedad Estatal Quinto Centenario (SEQC), a privately held corporation created under the auspices of the Comision Nacional and H.M. King Juan Carlos I of Spain, is the management organization established for the organization of the programs and activities related to the commemoration of the Columbus voyage. This organization has been allocated several billion dollars for the creation and development of 500 programs and projects of cultural, scientific, historical and artistic nature. These programs will have tremendous visibility in the United States, supported by the efforts not only of the SEQC but also the following two organizations: the Spain '92 Foundation, a publicly-funded, non-profit organization formed by the SEQC and headquartered in Washington, D.C., and J.G. Stanley & Co., Inc., the exclusive marketing and licensing agency.

The programs and events of the Quincentennial Celebration will occur over a two year span and offer tremendous opportunities in licensing, merchandising, premiums and promotions. In addition, the Quincentennial represents a powerful sales vehicle for Spanish and U.S. companies who have the foresight to utilize these programs and events to manufacture, sell and promote their products or services throughout the U.S., Caribbean and Canadian markets. Any corporation, but particularly those doing business with Spain, can benefit greatly by participation in the Quincentennial Celebration opportunities.



Replicas of Columbus' ships will tour major U.S. port cities, reaching over 10 million people.

The planning for the celebration has been in the works for a number of years. Over three years ago, the SEQC chose J.G. Stanley & Co., Inc. from among several top U.S. firms as the exclusive marketing and licensing agency for the Celebration in the USA and Canada. Ms. Joan Stanley, was a founding member of Lima, and is currently the President of J.G. Stanley & Co., Inc. Mr. Luis Bonel, who previously was the Executive Vice President and General Director for Majorica S.A., is her associate. According to Ms. Stanley, "A team of experts in licensing, direct marketing, corporate sponsorships, art, education and trade will project the message of this concentrated and coordinated effort to make history come alive through this celebration of our communal past and recognition of our powerful future together."

J.G.Stanley & Co is also handling corporate sponsorship rights for the Celebration in conjunction with the Spain '92 Foundation. Retail, direct marketing, premiums and sales promotions are currently being offered for license, while corporate sponsorship programs and events are being negotiated with major U.S. and Spanish corporations.

A number of major licenses already have been signed, with products ranging from commemorative medallions to fine art posters. The criteria used to evaluate a potential licensee is based on the company's ability to develop and produce quality products in support of the Quincentennial programs, subject to the parameters and goals of the SEQC. Some of the important factors examined by J.G. Stanley & Co., Inc and the SEQC include: distribution capabilities, production capacity, and pricing.

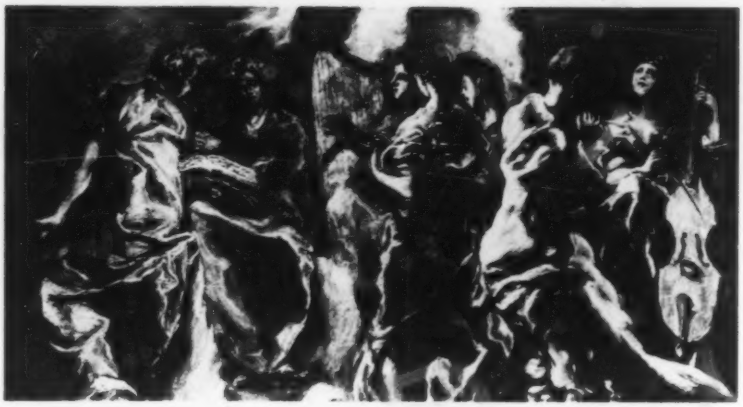
The SEQC program with the most visibility is the U.S. Tour of the Caravels, exact replicas of Columbus' ships.

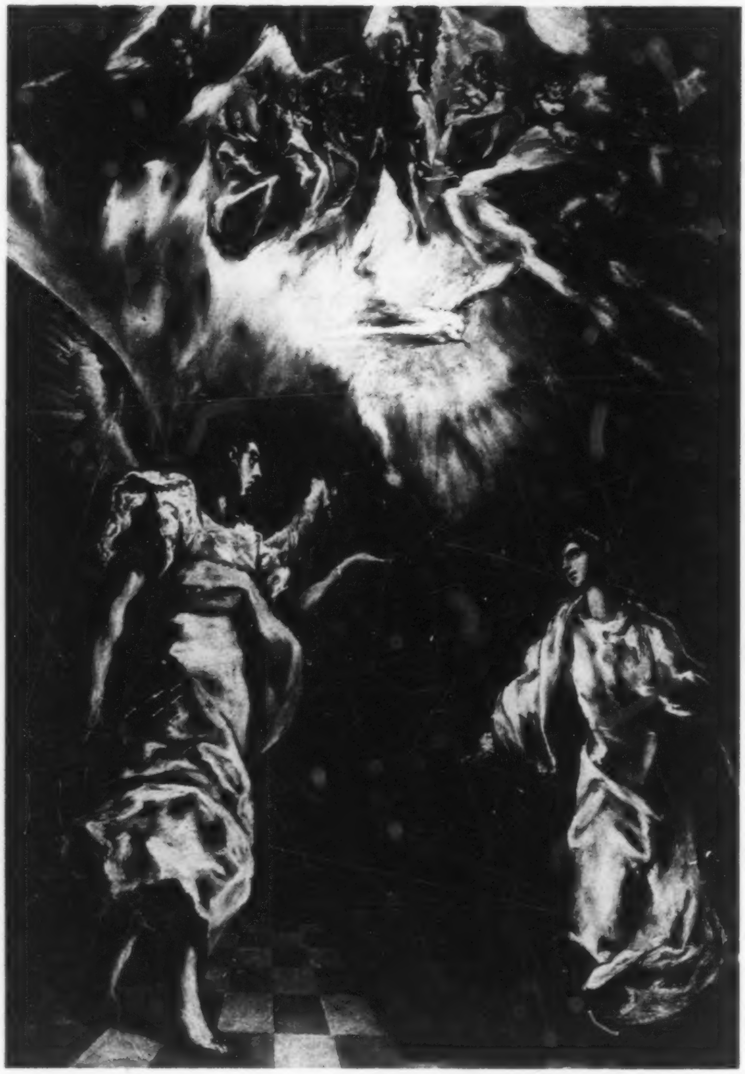
Traveling with the Spanish-owned replicas will be a Festival, presented by the SEQC, designed to include historical exhibitions, art and cultural events, exclusive merchandising and food. The Festival will allow sales of merchandise produced by exclusive Sociedad Estatal Quinto Centenario licensees. In each port, the ships will remain for an average of 14 to 20 days. It is estimated that between 40,000 and 50,000 visitors per day will visit the ships.

This program offers the best opportunities for the promotion and sale of products, as well as massive exposure. It also includes excellent opportunities for sponsorships of various levels and promotional possibilities, such as VIP and hospitality treatment for marketing companies, sweepstakes and an unlimited array of tie-in scenarios.

In addition to the Tour of the Caravels, there will be a number of other nationally visible commercial exposures, including retail merchandising programs, premiums, sales promotions, sweepstakes, direct marketing, corporate gift programs, as well as sponsor related activities. Television programming, art and historical exhibitions, opera, ballet, educational programs, scholarship programs, and technological projects are a result of the direct participation of the SEQC. Ω

Any company that is interested in the utilization of logos and marks to be applied to its products or services, including the development of special "Commemorative" product, should contact J.G. Stanley & Co. at (212) 867-8437 to secure the exclusive rights.





BANCO HISPANO AMERICANO GETS IT TOGETHER

These two paintings have an interesting history.

In fact, they are one.

El Greco's "The Annunciation" was cut in two in the 19th century.

The bottom part belongs to Banco Hispano Americano; the top part —"The Angels' Choir"— to the Athens National Museum.

We got the two sides together at an exhibition in Toledo, where El Greco painted it.

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Goya introduces Tapas

Call them appetizers or hors d'oeuvres or even elegant Spanish noshes, *tapas* are convivial eating. Invented in the taverns of Spain to provoke palate and conversation over a leisurely drink before dinner.

The drinks usually sherry. But it can be anything. It's the *tapas* that make the excitment. A great bar in Madrid could have as many as 70. Even the smallest bar, no fewer than five or six. But whatever they serve, it has verve.

Fortunately for *aficionados* here, a *tapas* spread as varied as any in Spain is as close as your Goya Section. Look at our picture: Goya chick peas, seasoned & sauteed with onions; Goya mussels, shrimps & capers, marinated in Goya wine vinegar & extra-virgin Spanish olive oil; Goya pimientos & garlic, drizzled with that classic oil; cider-poached Goya *chorizos* & apples; and Goya *empanadillas*, little spicy meat-filled turnovers (frozen, ready to heat). And Goya's wonderful giant scalloped crackers.

Goya has all kinds of makings for *tapas*: from great green olives & tuna & artichoke hearts to octopus & codfish fritter mix. Explore them. And next time it's your place for drinks, you can introduce *tapas*. By you. And by Goya. Oh Boy-a!

GOYA
GOYA
GOYA
GOYA
GOYA
CHICK PEAS
GOYA
SHRIMP

Meet them at the Goya Section. Invite them over for drinks.

Want more Tapas ideas? Send stamped self-addressed envelope to Goya, Tapas, Secaucus NJ 0709

Replicas of Columbus' Vessels to Sail the Ocean Blue

As every American school child learns, in 1492 Columbus sailed the ocean blue. In 1992 replicas of his ships, the Niña, Pinta, and the Santa María, will sail the ocean blue, as the voyage of Columbus is re-enacted.

Setting out from Huelva, southern Spain, the Niña, Pinta, and Santa María will retrace Columbus' 1492 journey from Spain to the West Indies. After stopping in one or more Caribbean ports, the three ships are scheduled to reach the United States in January of 1992. Although the precise number and names of the cities that the caravels will visit have not been determined yet, the Niña, Pinta, and Santa María will tour selected East, Gulf, and West coast port cities. Already it has been decided that New York City definitely will feature the replicas on July 4, 1992 as part of a massive celebration and tall ships parade in the New York harbor, while San Francisco will host the caravels on October 12, 1992, the date on which Columbus first landed in the West Indies. The three ships are also expected to dock in the ports of Boston, San Antonio, Miami, San Diego, Los Angeles and a number of other cities.

NAVES DEL DESCUBRIMIENTO

Joining the ships at major ports-of-call, the "Discovery Festivals" will add a vital cultural and educational dimension to the tour. Attractions planned for the festivals include the showing of a film about Santa María's Atlantic crossing in a 70 mm IMAX theater, a maritime exhibit describing the construction of the replicas using ancient methods, and popular and classical musical performances, to name just a few. Festival Events Inc., a unit of Irvin Feld and Kenneth Feld Productions, Inc., which produces the Ringling Brothers and Barnum and Bailey Circus), will plan and produce the "Discovery Festivals."

The tour of the caravels together with an extensive Quincentennial program to commemorate 500 years of America has been planned under the auspices of the Spain '92 Foundation. The Foundation was established in 1988 by the government of Spain to develop educational, cultural, and other projects to celebrate the shared heritage of Spain and the USA, particularly with a view to the upcoming Quincentenary celebration. Registered as a U.S. non-profit organization, the Foundation serves as the official U.S. representative of the Sociedad Estatal Quinto Centenario, Spain's Quincentennial organization.

Already the replicas, which were constructed in Spain, have been touring Spanish ports since August 3, 1990. At each stop, the Niña, Pinta, and Santa María have drawn large, enthusiastic crowds. During a six-day stay in Cádiz (southern Spain), for example, approximately 200,000 people thronged to the port area to view the replicas. European stops planned for 1991 include Cannes (which will coincide with the film festival), Monaco, and Genoa.

The Spain '92 Foundation has taken steps to ensure that the Niña, Pinta and Santa María will enjoy an equally successful tour in the USA. One important preparatory effort involved transporting American journalists and corporate executives to the Spanish port of Huelva to witness the caravels' launching ceremony on August 3, 1990. Participants included journalists from such prominent media organizations as UPI, the *Washington Post*, and National Public Radio, as well as Vice Presidents from Pepsi-Cola Company, Chase Manhattan Bank, and Anheuser-Busch.

The Foundation has increased its efforts to encourage corporate involvement in the tour of the caravels and accompanying "Discovery Festivals" by offering three levels of recognition: 1) Primary Sponsorship which highlights support of a key specific area/exhibit of the Tour; 2) Official Sponsorship which grants exclusive nationwide rights in a specific product category—soft drinks, petroleum products, credit cards, etc.—; and 3) supporting sponsorship which acknowledges providers of essential goods and services. Texaco, Pepsi-Cola and other corporations currently are considering involvement at one or more levels of sponsorship.

1492 - 1992

More Than Just Ships

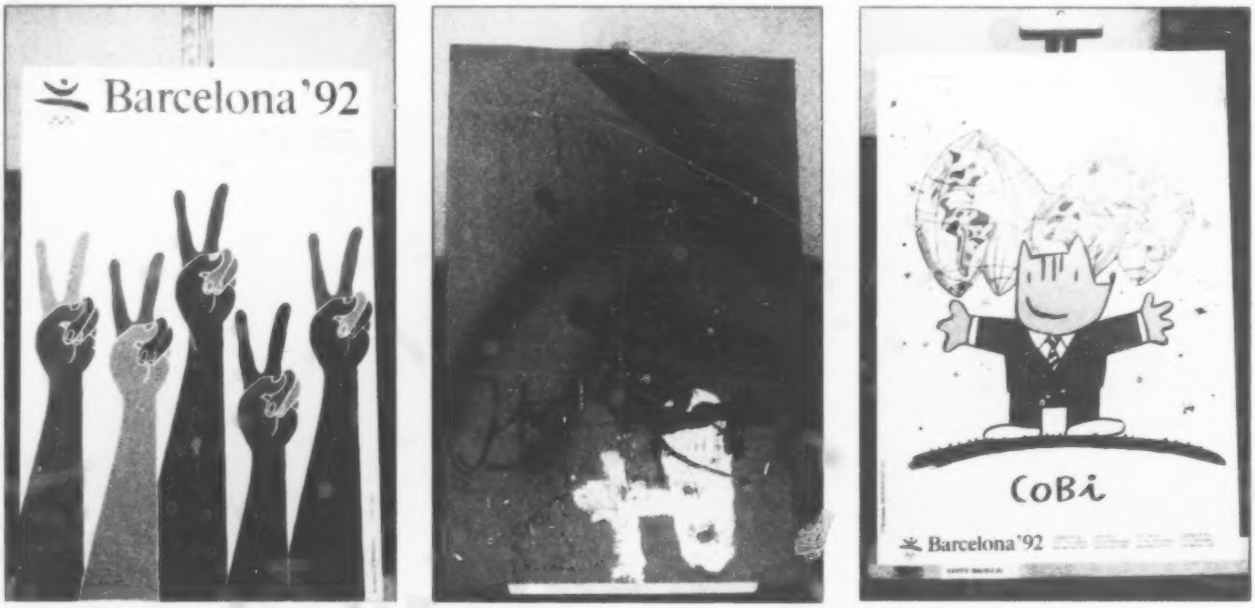
Spain '92 has allocated upwards of 20 million dollars in collaboration with or on behalf of the Sociedad Estatal and corporate sponsors to develop 32 (including the tour of the caravels) major projects and dozens of public events. In addition, over 20 high quality projects have received the Foundation's endorsement through Official Designation. These Officially Designated projects will be presented over the coming months to U.S., Spanish and international corporations for support.

The Foundation's Quincentennial program covers a broad range of topics and venues (i.e. Hispanic Heritage-Science and Technology; the National Air and Space Museum-local movie theaters and schools). Several activities such as the publication of *Encounters* magazine, a concert/video project featuring José Carreras and the donation of the Quincentennial Library Collection to the Library of Congress already have taken place. Others, such as UCLA's 16-volume series *Repertorium Columbianum* and the National Air and Space Museum's *Where Next, Columbus?* exhibit still are in the planning stages. Combined, they will have a profound and lasting influence on millions of people across the USA. Ω

John-Marshall Klein is employed by the Spain '92 Foundation. For futher information about the Caravel Tour or other Quincentenary events, contact the Spain '92 Foundation in Washington, D.C. at (202) 775-1992 or in New York City at (212) 758-1992.

Barcelona Boosts Infrastructure

The services that Barcelona will have by the time the Olympic torch arrives in that city will be greatly improved over what they are today, thanks to construction and reformation. Although these improvements are not absolutely necessary for the Olympics, the Games have given the city an excuse to improve its general image.



Official Barcelona 1992 Summer Olympics posters by Enric Satué, Antoni Tapies, and Javier Mariscal.

Without a doubt, due to its limited passenger capacity and facilities, Barcelona's airport, would have remained obsolete. The well-known architect Ricard Bofill was appointed to restructure the airport, which includes the widening and restyling of the terminal building and the construction of a new building (14,000 sq. meters in size) exclusively serving international flights. The two terminals will be joined together by an elevated passageway (15m wide) which will have four pre-embarkation modules joined to it. This will mean that passengers will not have to walk out onto the runway, as they will be able to board the plane via the five or six gangways each module will have. The budget for the restyling of the airport is almost 12,000 million pesetas (roughly $120 million), and it is scheduled to be completed towards the end of 1991.

The Collserola Tower, which reaches a height of 260m, is the key architectural feature of the so-called Telecommunication Complex of Barcelona. The main objective of this complex is to unite in a single place all the telecommunication systems scattered along the Serra de Collserola; namely, the aerials of the radio and television stations, radiotelephone services, and microwave link-ups. The Tower is the work of the British architect Norman Foster and is expected to come into use at the beginning of 1992.

In Barcelona the natural growth process of the city has surpassed the capacity that the city itself can handle in terms of traffic flow. To solve this problem a new system of urban roads and ring roads was designed. Currently Barcelona is connected to its outskirts by 12 roads and motorways with a total of 41 lanes, and a maximum entrance/exit capacity of 588,000 vehicles per day. The urgent need for the completion of the city's ring roads is, therefore, a top priority. One ring road will cross the city from Montgat to Prat de Llobregat, and was designed to streamline the city and area traffic. In addition, it will serve as a joining point for all the motorways, main roads, and access roads to the metropolitan area of Barcelona. The coastal ring road will take the form of a U-shape. This ring road, as well as acting as a collector road, will serve as an access to specific areas. This makes it a direct link with the Olympic Village and the Olympic Ring. The benefits of these improvements to Barcelona's infrastructure will remain long after the Olympic Games are gone.Ω

The preceeding article appears thanks to the collaboration of Barcelona Olímpica, *a magazine published in Barcelona and devoted exclusively to providing information about the 1992 Summer Olympics and related topics. For further information write* Barcelona Olímpica, *c/ Aragó 250, 1º, 2º, B; 08007, Barcelona. Tel: (34) 301-0125; Fax: (34) 412-2522.*

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Smooth Sailing For Columbus' Model Ships

"Abordage," a word cried by the French pirates in the Caribbean while launching an attack and boarding a galleon, is the name of a French company which currently is building models of the Niña, Pinta, and Santa María, the caravels of the Columbus voyage. Located on the island of Hispañiola, where Columbus landed during his first voyage. Abordage is committed to the recreation of authentic model replicas of these ships, and in the future plans to produce other historic ships.

Challenged to build an exact replica of the original ship, the first model of the Santa María was built according to a plan from the Maritime Museum of Barcelona. In order to improve the model both technically and artistically, Abordage carried out its own research based on historical documents and drawings of the full scale replica of the ship launched from Spain on October 20, 1989. At least five professional model builders and wood architects worked on the creation of the model, and a team of highly specialized craftsmen builds each vessel.

Each model is completely handmade and takes roughly 450 hours to complete. The hull is mounted on frames and covered with mahogany planks. The cannons are of bronze, the fittings of brass, the anchors of cast iron, and the cordage coated with beeswax. Each models receives 12 hand applied coats of a special French varnish. The sails, which are of cotton and handsewn and embroidered, are mounted following the rules of rigging and work just like in the original. Each model is unique and comes with a certificate of authenticity. Ω

Abordage is the exclusive manufacturer of a limited edition of wooden scale models of the Columbus caravels. For further information or to purchase a model, contact María José Amaldos at the Chamber. Tel: (212) 967 2170. Fax: (212) 564-1415.

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Tremendously Successful ARCO Boasts World Status

Without a doubt ARCO has taken its place among the world's finest of contemporary art fairs.

Surpassing all expectations, the tenth edition of ARCO, the international contemporary art fair held in Madrid at the Palacio de la Casa de Campo from February 6-February 12, 1991, was tremendously successful in terms of the number and caliber of exhibiting galleries, sales, and number of people who attended. This year ARCO featured works from 214 galleries, 67 of which were from Spain and 147 from 22 other countries around the world, including Denmark, Finland, Ireland, Norway, the Soviet Union and Yugoslavia, which did not take part in ARCO 1990. The USA was represented by 27 galleries, and galleries from most regions of Spain were featured. As each participating gallery averaged 15 works, in total over 3000 pieces were exhibited, representing over 1000 artists. The fact that 65% of the participating galleries were from countries other than Spain, means that without a doubt ARCO has taken its place among the world's finest of contemporary art fairs.

The Director of ARCO, Ms. Rosina Gómez Baeza

The Director of ARCO, Ms. Rosina Gómez Baeza, was quoted in the latest issue of Iberia's magazine *Ronda* as commenting, "I think that from the outside (ARCO is) seen as the great fair that has renovated art in the 20th century, as opposed to other fairs that adopt less risky postures—and (this is) not just because we insist on presenting the latest art, but because we have also widened our spheres of communication...this can be seen in the high participation of foreign firms who appreciate the interchange of proposals, ideas, and reflections."

Along the same lines, the renowned gallery owner Leo Castelli, who is surrounded by mythomania and admiration, was quoted in *Ronda* as saying, "I think (ARCO 91) is an unprecedented event. The standard is excellent, the atmosphere better. Madrid is beginning to strongly resemble Paris or New York."

It appears even the contemporary art fairs of, for example, Paris and Basilea, are starting to follow the example set by ARCO and are featuring younger talent. ARCO is a young fair both in terms of chronology and talent. As opposed to other fairs which concentrate primarily on "important" works, it is a more "dynamic" fair—more in tune with "the latest," not caught up with political or aesthetic obligations.

According to provisional statistics, this year ARCO sales totaled over 6,200 million pesetas (over $62 million), of which 1,055 million pesetas (over $10 million) were made by Spanish galleries and 5,147 million pesetas (over $51 million) by foreign exhibitors. (Exchange rate calculated at 100 pesetas to the dollar.)

Based on these and other statistics, it may be concluded that investing in art remains profitable and attractive. According to figures gathered from such sources as Sotheby's, Morgan Stanley Capital International, Salomon Brothers, and the U.S. Department of Labor, and published in *The Economist*, the appreciation of investment in works of art between 1977 and 1990 reached 1230%. During that same period of time appreciation of investment in the stock market only grew by 240%.

In conjunction with ARCO 91, a variety of activities were held. Promoted by the U.S. magazine *ARTnews* and with the participation of experts associated with that publication, a series of seminars were held on topics such as strategies for investing in art, the market of contemporary art, the future of museums, and corporate collections and sponsorships. The speakers concluded that 1991 is a favorable year for investing in art, and in particular, Spanish art.

In addition, VIDEOARCO 91 was featured as part of ARCO, which included not only the presentation of the latest video creations, but also thanks to the participation of diverse video distributors, round table discussions. Ω

Post-1992 Euroadvertising

There is now an urgent need to set up a self-regulatory mechanism

BY NORMAN VALE

In Europe, a large shadow is hanging over the freedom to advertise legal products and the freedom of consumers to make their own fully informed choices. Among the measures being introduced by the EC Commission to create the Single Market by December 31st 1992, there are an increasing number that, as proposed, are direct threats to marketing freedoms across a wide range of products and services.

Advertising is an essential part of any real democracy, which is always based on freedom of choice. Democracy recognizes and respects the ability of each individual person to assimilate information and to make well informed choices.

Advertising is also the voice of free enterprise. It is therefore anathema to zealous regulators everywhere, and to all who believe that society needs to be planned in a top-down way. Advertising is one of the most visible facets of the free market system. As such, it becomes an early target for attack.

But it is of the utmost importance that the EC's 1992 program really does create an open market, in which business is free to advocate legally available products to people who are free to choose. Advertising should be a major driving force behind this new open market, but without effective communication, genuine consumer choice will not exist.

"1992" is all about creating a free market and getting national products marketed across the whole of Europe. So it is surely nonsense to try to create an open market for goods and services, while at the same time making effective advertising for them impossible.

We should make it very clear that we are not saying there should be no advertising self-regulation (ASR) at all. People in a competitive market must accept the need for some degree of regulation. But the goal must be a regulatory framework in which all the participants can operate fairly. . . free from unwarranted restrictions.

Advertising is already the subject of checks and balances in every one of the EC Member States. . . by statute, by self-regulation or by a mixture of both. There is no reason why these checks and balances should not continue to co-exist with their voluntary codes and systems of control.

For instance, Spain has such a central body for self-regulation, the Autocontrol de la Publicidad S.A. in Madrid. Established in 1977, it consists of representatives from all fields of advertising. Among the codes it follows is the ICC's (International Chamber of Commerce) International Code of Advertising Practice, which it adopted in 1977.

However, with the reality of the Single European Market, the existence of such national advertising self-regulation bodies is no longer enough. There is now an urgent need to set up a self-regulatory mechanism at the European level, in order to deal quickly, efficiently and effectively with issues that involve two or more EC or Council of Europe member states.

The reason for this is simple. One of the major principles that the EC Commission is enjoined to observe as it moves to create the Single Market — and this has been both fully and publicly endorsed by Commission President Jacques Delors - is the principle of subsidiarity.

The principle of subsidiarity means allowing everything to be settled at the lowest level. Or, put the other way, the higher authority should not intervene if the question can be dealt with at the lower level.

Translated to advertising self-regulation having to do with issues involving two or more countries, and therefore falling outside the terms of reference of the national ASR system, the fact of the matter is, there is at present no such "lower level" below the EC Commission itself. The Commission therefore, can and does rightly say, that since they are the "higher authority", then they themselves must regulate.

This is why the industry must urgently put into place just such a pan-European ASR system to fill the vacuum. This system will then be the "higher authority" and will obviate the necessity for the Commission, according to its own declared principles, to legislate.

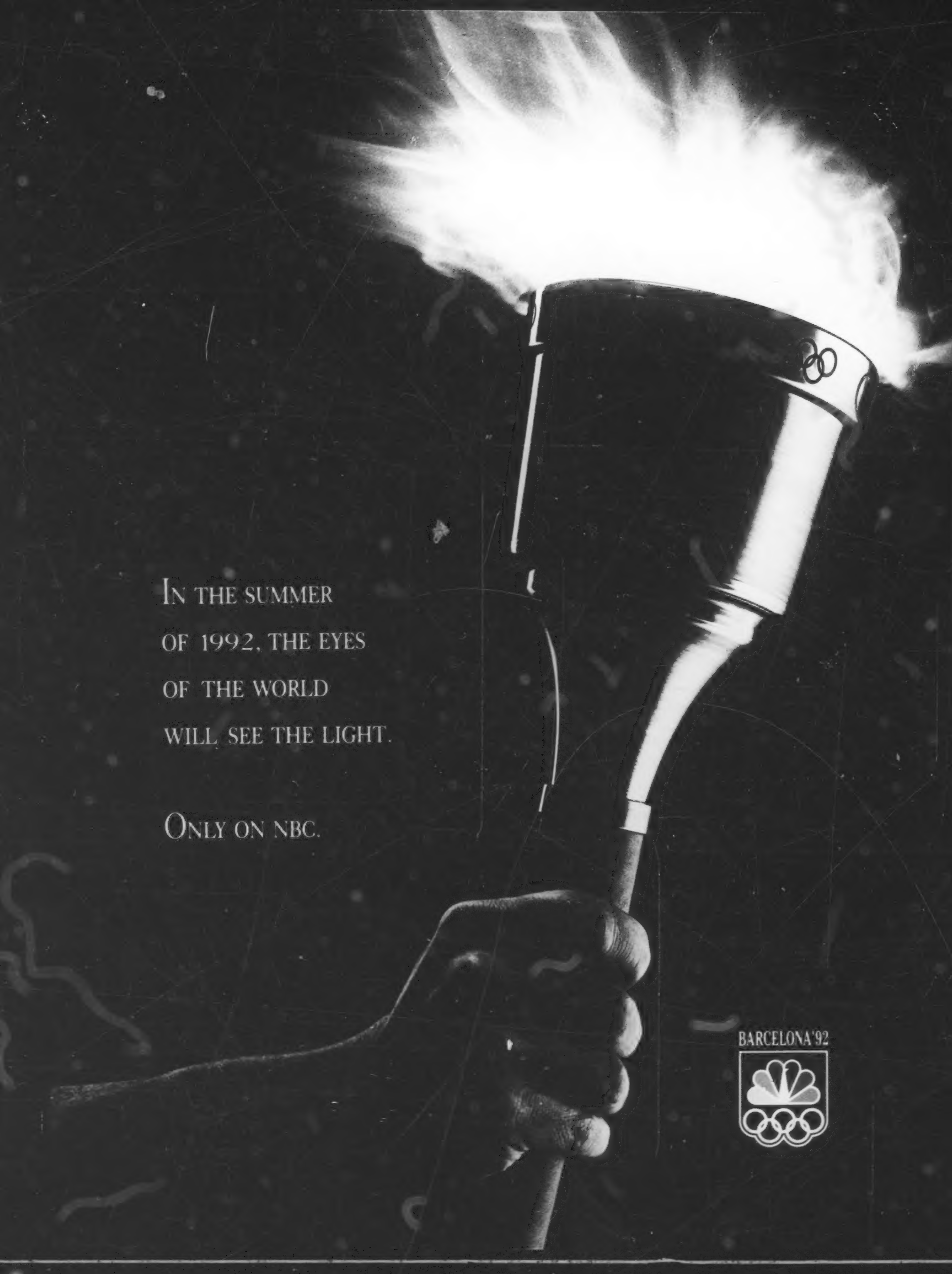
> Advertising is anathema to zealous regulators everywhere

Now is the critical time for action, before measures are passed to become law in the member states - with the probability of other surrounding countries having to follow suit. The International Advertising Association is currently one of many groups in Europe working through the Brussels-based European Advertising Tripartite (EAT), to address these threats and to lobby the European Institutions and the authorities in the Member States.

The IAA, with almost half its membership in Europe, welcomes the progress of the EC and wholeheartedly supports the completion of the Single Market. But we all equally wholeheartedly believe that to succeed, the Single Market must be as free and open for advertising services as it is intended to be for all other goods and services.

We all need to keep our focus firmly fixed on the freedoms of commercial speech and consumer choice. And, as Spain assumes an increasingly responsible role in the EC, its influence on regulatory issues that focus on marketing communications will be paramount in the drive to a Single Market. Ω

MR. NORMAN VALE *is Director-General of the International Advertising Association.*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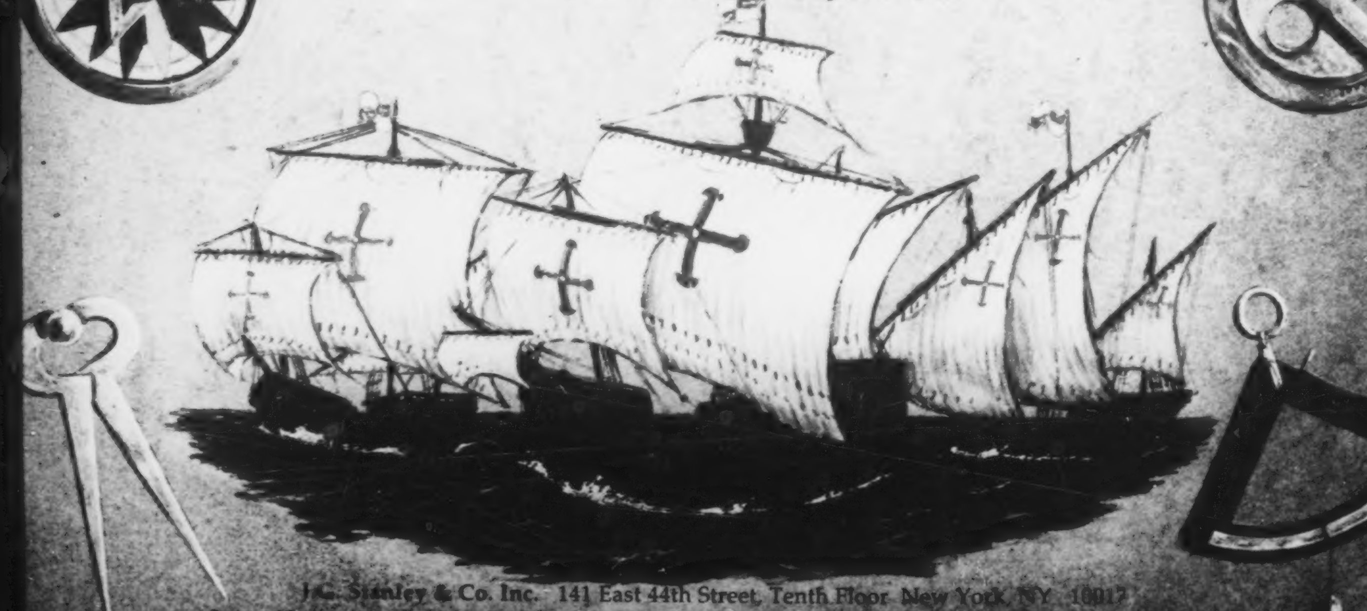

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[Special Report 4] The 1992 Barcelona Olympic Games and their important financial, media and organizational ramifications are the highlight of this issue's "Special Report." We present an exclusive collection of articles and information prepared by top executives involved in all aspects of this quadrennial event.

[Spain Survey 23] This section features an in-depth industry sector analysis of Spanish real estate. It tracks the origins of the changing market and the implications for investors looking for commercial and industrial opportunities.

—ALEXANDER ROBARTS
Editor-in-Chief

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The Barcelona Olympics: Business & 'Friends for Life'

For all of us active in business, it is unusual to talk about organizations created to develop world class projects and at the same time "born to be killed." Such is the case of the Barcelona Olympics Organizing Committee. The COOB '92 is, however, just the most visible part of a monumental, coordinated effort by Spanish, Catalan and local communities that hope to accomplish more than a few days of successfully organized sporting events. The best proof of COOB's commitment is the decision to use "Friends for Life" as the theme of the Barcelona Olympics.

Domestically, the Olympics represent for Spain not only a catalyst for a dynamic and competitive economy within Europe, but also the most ambitious program the country has undertaken in the last century: to create a state-of-the-art telecommunications system, a modern infrastructure and a society with regained self-confidence.

Internationally, the event offers Spain coverage in the most prestigious media all over the world, providing Spain with an image much closer to the position the country has earned in the last fifteen years. The international business community has been no exception, and many executives have turned their eyes—and projects—towards a "rediscovered" Spain.

Much like the mythical Phoenix, the Olympics are already establishing a base for the Spain, Catalonia and Barcelona of tomorrow to take wing just as the XXV Olympiad becomes history. The Games will do this by spreading around the world the message that the Catalan people have been, for over a millennium, a business community where handshakes advance deals and friendships. We are committed to helping more U.S. companies take advantage of these business opportunities while making "Friends for Life."

—MIGUEL SEBASTIA

[The Chamber]

Chamber Sponsors Reception on U.S. Media and Marketing Opportunities Related to 1992

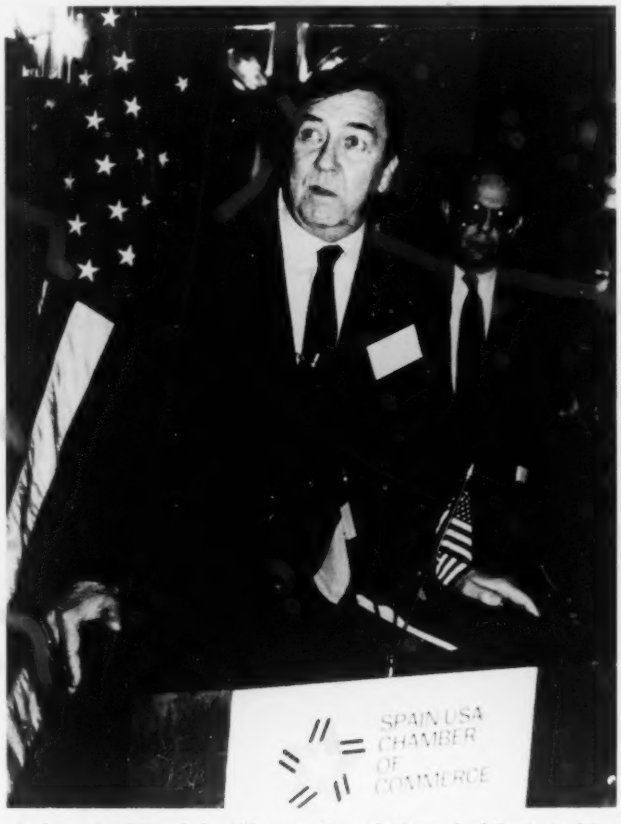
Norman Vale, Director General of the International Advertising Association.

The Spain-USA Chamber of Commerce, in conjunction with the International Advertising Association (IAA), presented an overview of the media and marketing opportunities in the United States relating to the world-class 1992 events in Spain. Over 100 persons attended the event, which was organized as a reception at the elite Barcelona Paradis restaurant in New York City on April 30.

After a brief introduction by Chamber executive director Miguel Sebastiá, Ambassador Miguel de Aldasoro, Consul General of Spain in New York, outlined the attractive investment climate in Spain today. Pointing to robust economic growth spurred by Spain's entrance into the Common Market in 1986, Ambassador Aldasoro encouraged marketing and advertising executives at the reception to capitalize on the high prestige and visibility in the United States generated by the 1992 Barcelona Summer Olympic Games, the events surrounding the Quincentennial celebrations of Spanish heritage in the US and the World's Fair in Seville.

Spain is at an important crossroads, the Ambassador emphasized, and it will continue to work toward establishing itself as a solid investment and economic platform for all types of business operations with the Common Market. The Spain beyond 1992 will be a vital and dynamic business center catering to the fifth largest consumer market in Europe.

The Director General of the International Advertising Association (IAA), Norman Vale, discussed the tremendous advertising potential in Spain. Over the past few years, advertising and promotion expenditures for US subsidiaries in Spain as well as for Spanish companies has increased at a phenomenal rate, from $713 million in 1980 to $5.6 billion in 1989. Another important factor about media opportunities relating to Spain is the pool of top-flight artistic and creative talent in Spain for all types of promotion, Mr. Vale stated. For these reasons, the IAA will be holding its biannual Advertising World Congress there from September 27-30, 1992. By the time of the Congress, Mr. Vale claimed that Spain could very well be the fifth largest advertising market in the World. Chamber President Ricardo Jové delivered the final presentation of the reception which addressed the new marketing focus of the Spain-USA Chamber of Commerce. Mr. Jové stated that the Chamber has made



Ambassador Miguel de Aldasoro, Consul General of Spain in New York discusses Spain's attractive investment environment.

significant efforts to expand beyond the common conception of a chamber of commerce's mission and goals. In addition to providing a forum for business contacts and the exchange of ideas for Chamber members, he explained to the reception attendees how the Chamber has adopted a trade and economic public relations focus, offering media and marketing services.

Guests including Loretta Matuozzi, center, of the International Advertising Association attend Chamber reception on U.S. media and marketing opportunities relating to world-class 1992 events in Spain, particularly the Barcelona Summer Olympics, World's Fair in Seville, and the celebration events associated with five hundred years of Spanish heritage in the U.S.

President of the Chamber Ricardo Jové discusses the Chamber's new objectives, as Miguel Sebastiá looks on.

For US companies aiming to establish or reinforce business relations with Spain, as well as for Spanish companies seeking to penetrate the US market, the Chamber offers various ways to be more closely associated with the 1992 world-class events in Spain. Mr. Jové described the four areas where specific marketing services are available to members, including Business Development, Promotional Galas, Cooperation Agreements and Media Communications.

Currently, the Chamber is organizing a multi-industrial promotion tour of the United States and Canada where, in each city, a full-day "business opportunities with Spain" presentation will take place. Business development services will be available through various types of sponsorship packages. On the promotional Gala level, the Chamber has organized a Gala at the Plaza Hotel in New York City in honor of the Barcelona Olympic Games with Christopher Forbes of *Forbes Magazines* as chairman.

Mr. Jové explained that the cooperation agreements at the Chamber involve media and public relation packages tailored to specific strategic marketing needs of US and Spanish medium-sized and large companies. Finally, the Chamber offers direct media access to a targeted bi-national audience of senior public and private sector executives served by the Chamber's financial and economic quarterly magazine, *The Business Link*. The newsletter, "The Link Letter" and the Chamber's bi-annual directory are other communication services offered to Chamber members. Ω

Reception guests listen intently to Ambassador Miguel de Aldasoro following cocktails and tapas at the Paradis Barcelona Restaurant in New York City.

Executive Director of the Spain-USA Chamber of Commerce, Miguel Sebastiá, second from left, and Marianne Burge of Price Waterhouse, center, listen to Norman Vale of the International Advertising Association, describe Spain's dynamic advertising industry.

Summary of Board of Directors Meeting Preceedings

Thursday May 23, 1991 at Telefónica de España, New York City

The Board of Directors convened at 12:30 PM to discuss the following business:

I. Approval of minutes of previous meeting.

· Mr. Michael Greenberg read the minutes from previous meeting and these were approved unanimously.

II. Report by the President

Mr. Jové reported the following:

· On February 15, 1991, there was a presentation at Lehigh University in Bethlehem, PA, on "Doing Business With Spain." The presentation was sponsored by the University International Trade Development Program.

· On May 3rd, 1991, the Chamber participated in a European symposium which was sponsored by the World Trade organization in Boston, MA. Spain was represented by personnel from the New England Business Council, New York Chambers Office, NY Commercial Office and regional representations from Spain.

· On April 30th, 1991, the Chamber hosted a presentation of the Chamber's activities to Marketing and Media executives. The featured speaker was Mr. Norman Vale, Director General of the International Advertising Association. The presentation was preceded by a brief introduction by Ambassador Miguel de Aldasoro and Chamber President Mr. Jové.

· During the weeks of May 6 and May 13, 1991, Mr. Jové and Mr. Sebastiá visited Spain to follow up on commitments by possible sponsors for the Annual Gala (June 21, 1991) and to further advance negotiations for sponsorship and participation in the upcoming road show.

III. Report by the Treasurer.

· The update on the financial status was presented by the Treasurer and noted by the Board of Directors.

IV. Nomination of Chairman for 1991 Gala.

· A motion to nominate Mr. Christopher Forbes, of *Forbes Magazine*, was made and approved.

V. Reports by Chairs of Different Committees.

· The Nominating Committee presented a list of names for nomination for one and two-year board members. The total number of Board Members is forty.

· The Membership Committee noted that Price Waterhouse has become a new corporate member.

· The Search Committee related the hiring of the new Deputy Director

The meeting adjourned at 3:30 PM. Ω

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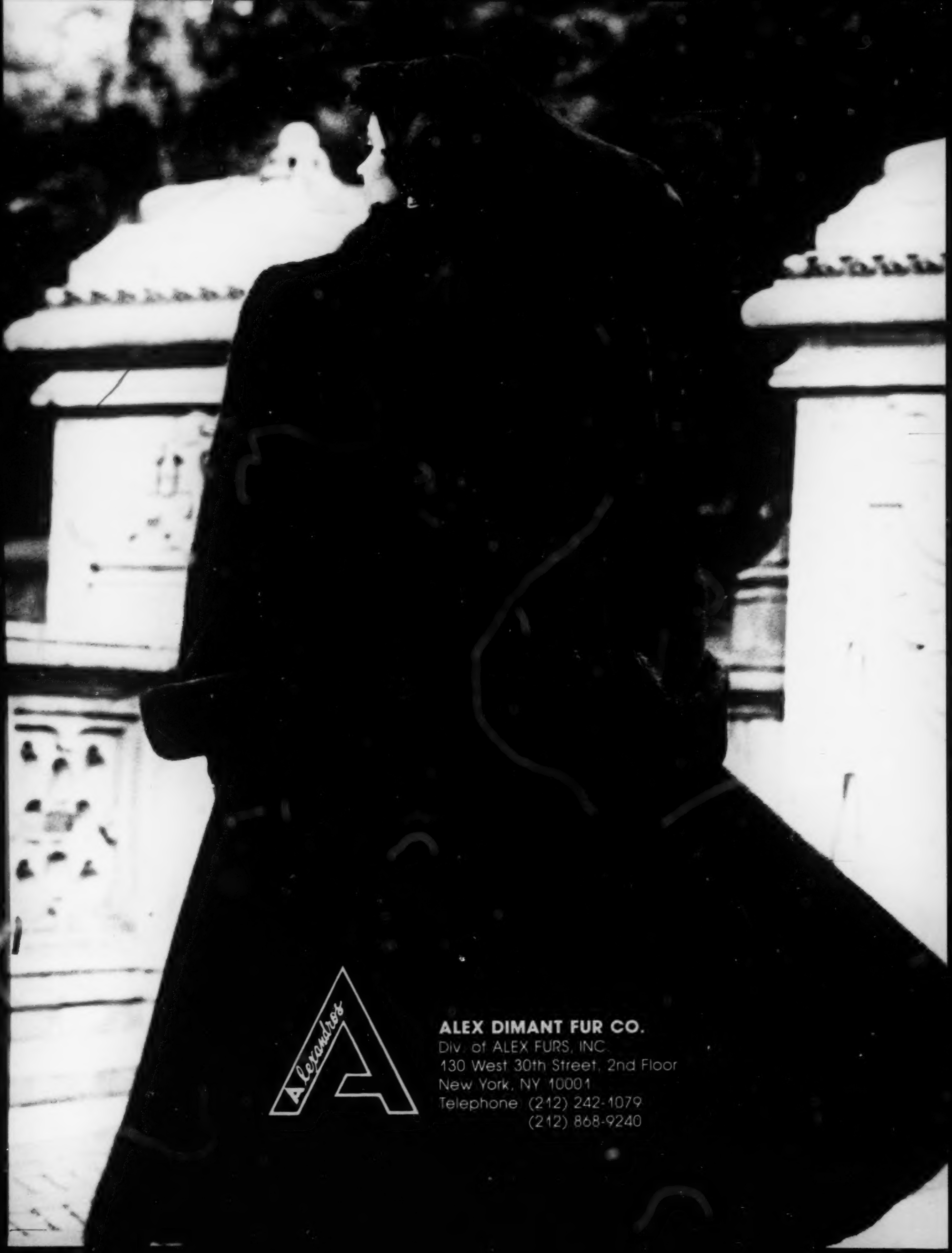

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Chamber Officers Attend Europe Seminar in Boston

On May 3, 1991, at the World Trade Center, Boston, officers of the New England Business Council of the Spain-U.S.A. Chamber of Commerce and the Spain-U.S.A. Chamber of Commerce in New York joined the U.S. Department of Commerce, Boston District Office at "Beyond Europe '92," a conference on business in the new Europe.

Massachusetts Governor William F. Weld welcomed the 187 attendees and spoke on "International Trade: a State Perspective."

The seminar provided companies with a unique opportunity to meet top Senior Commercial Officers (S.C.O.) from Europe.

Mr. Robert Kohn, S.C.O. Madrid, was extremely well received not only for his knowledgeable and positive presentation but also for his unique perspective, which created a new awareness of and interest in Spain-U.S. business opportunities on the part of those seminar attendees who had not previously considered Spain as a platform or gateway for doing business in Europe.

Master of Ceremonies was Mr. Richard Geiser, Chairman, Massachusetts Port Authority (Massport).

Special Guest Luncheon Speaker was Susan C. Schwab, Assistant Secretary and Director General, U.S. & Foreign Commercial Service, U.S. Department of Commerce. She spoke on the subject of marketing assistance and services of the government.

Other guest speakers were:

Mr. Jack Bligh, S.C.O. Bonn, Germany, who described a new Germany for a new Europe

Mr. Daniel Hughes, S.C.O. Budapest, Hungary, spoke on Hungarian opportunities

Mr. Edgar Fulton, S.C.O. Warsaw, Poland, covered the pitfalls and successes in Poland.

Mr. Manfred Bayer, Vice President-International for Jet Spray Co. spoke about his firm's experience in Europe. Jet Spray received from President Bush and Secretary of Commerce Robert Mosbacher on May 24, 1991, the prestigious Presidential "E-Star" Award for Exporting.

Seated at the Luncheon with S.C.O. Robert Kohn were the Honorable Julio Jacoiste, Consul General Spain - Boston, Melvin Ravech, Esq., Honorary President, New England Business Council, special guests from New York, Spain-U.S.A. Chamber Executive Director, Miguel Sebastia, and Deputy Director Miguel Matilla. The Commercial Office of Spain was represented by Mr. José Antonijuan. Ω

The newly formed Spain-USA Chamber (New England Business Council) address is: 125 Summer Street, 17th Floor, Boston, MA 02110. Telephone (617) 439-8777. Fax (617) 439-8734. Contact: Robert F. Charriere, Executive Director

Canary Islands' Trade Promotion Office at the Chamber

The Canary Islands Trade Promotional Office (PROEXCA), has recently designated the Spain-U.S.A. Chamber of Commerce as its base for operations in the United States.

The aim of PROEXCA is to carry out activities that promote the export of products and services from the Canary Islands to foreign countries, as well as attracting foreign investment to the Islands. This is done by establishing trade links through the creation of channels of supply and distribution; negotiation and solution of any problems concerning import/export requirements, legislation and tax-free zones; and also by offering market research and technical assessment on management and financing.

The Canary Islands economy is based mainly on tourism, as well as on industry, agriculture and fishing. The main export products include tomatoes, bananas, flowers and, to a lesser extent, cucumbers and tropical fruits. The Canary Islands Archipelago has an important commercial advantage for possible investments due to its infrastructure, excellent communication and transportation networks, industrial parks and a highly-skilled labor force. The existence of free ports, the availability of generous promotional assistance from the European Common Market, and political endorsement to promote and develop the Canary Islands economy makes the region an excellent location for investment.

The Canary Islands economy is based mainly on tourism, as well as on industry, agriculture and fishing

Lately, the Canary Islands' government has shown interest in creating a financial offshore area for promoting its role in the international financial markets arena.

Geographically, the Canary Islands form a unique meeting point between Europe, America and Africa, making them an excellent strategic operational base for international trade. Ω

For further information, contact PROEXCA'S representative at the Spain-USA Chamber: Pedro Quintana at (212) 967-2170.

EACC Honors EC Ambassador to United Nations

Mr. Eamonn Gallagher, Ambassador and Head of the Delegation of the Commission of the European Communities to the United Nations, recently addressed the members of the European-American Chamber of Commerce (EACC) in New York. The lecture on the recent developments in the European Community was part of EACC's breakfast briefing series of 1991. It was a particularly timely event as the Ambassador was preparing for the European Council of Ministers meeting in late June.

Ambassador Gallagher served many years in the Irish public administration and diplomatic service, during which time he spent nine years as Irish Vice Consul for Boston and New York. In 1975, he became Deputy Secretary at the Ministry of Foreign Affairs in Dublin. After joining the Commission of European Communities in Brussels as Deputy-General, External Relations, responsible for GATT relations with the U.S. and Canada, agriculture and fisheries affairs. Ambassador Gallagher became the Director-General for Fisheries in 1977. He was named the head of the Delegation to the United Nations in 1990.

The EACC is a non-profit membership organization made up of the eleven bi-lateral European Chambers of Commerce including the Spain-USA Chamber of Commerce. The EACC provides the members of each bi-lateral chamber with greater understanding of and access to the public and private institutions of European-American relations. Ω

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Spain 1992 and Beyond: A presentation of Multi-Industrial Business Opportunities with Spain

An interview with Christa Seewald de Vicente, Special Projects Manager, Spain-USA Chamber of Commerce

QUESTION: What is the goal of this presentation? ANSWER: We realize that entrepeneurs do business only with the people they know. We want them to receive complete and useful information on Spain as a business partner.

Q: What are the benefits for participants?

A: Time and money. By bringing the presentation to the participants they will save the time and the money of sending executive teams to Spain. Additionally, the participants receive first-hand information from leading experts in different fields.

Q: Which companies can profit from this event?

A: American and Canadian companies with sales over $10 million, with internationally competitive products or services and with a willingness to expand into Spain as platform for business with Europe.

Q: What advantages does Spain offer?

A: A solid economic infrastracture, liberal trade policies, interesting investment incentives and a wide range of modern manufacturing facilities. Spain has experienced the highest economic growth in Europe during the past years. A domestic consumer market of 40 million inhabitants and 50 million tourists a year have created a dynamic market for all types of products and services.

Q: Can you tell us something about the presentation?

A: It is a one-day presentation in nine leading economic areas of the U.S. and Canada. During the morning session, experts on doing business with Spain will give brief, to-the-point information. After a business luncheon, round tables on specific sectors will be organized.

Q: What are the presentation topics?

A: They are Marketing and Sales Strategies, Sources of Credit and Financing, Legal Aspects of Investment and Operations, Import/Export Trade Logistics, and Data on Important Spanish Industrial Sectors.

Q: How can companies not included in the target group participate?

A: Disseminating information on our presentation to clients and business associates is itself a valuable service to them and will result in the generation of new business, eventually profitable for all those involved.

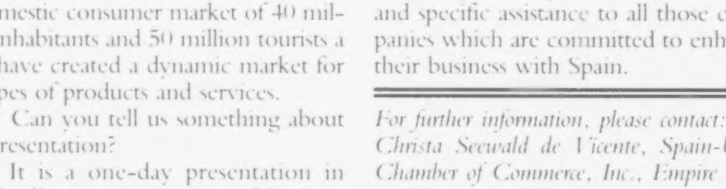
Q: What next steps should interested companies take now?

A: Contact us in order to receive an informative folder together with a data sheet to be filled out and returned to us.

Q: What actions will follow after the presentation?

A: In collaboration with the sponsors we will provide periodical information and specific assistance to all those companies which are committed to enhance their business with Spain. Ω

For further information, please contact: Ms. Christa Seewald de Vicente, Spain-USA Chamber of Commerce, Inc., Empire State Building, 350 Fifth Avenue, Suite 3514, New York, N.Y. 10118, Phone: (212) 967-2170, Fax: (212) 564-1415.



The Fall 1991 Tour will visit nine cities in the U.S. and Canada.

SPAIN
1992
and beyond

A Presentation of Multi-Industrial Business Opportunities with Spain

OCTOBER / NOVEMBER 1991

Organized by the SPAIN-USA CHAMBER OF COMMERCE, INC.

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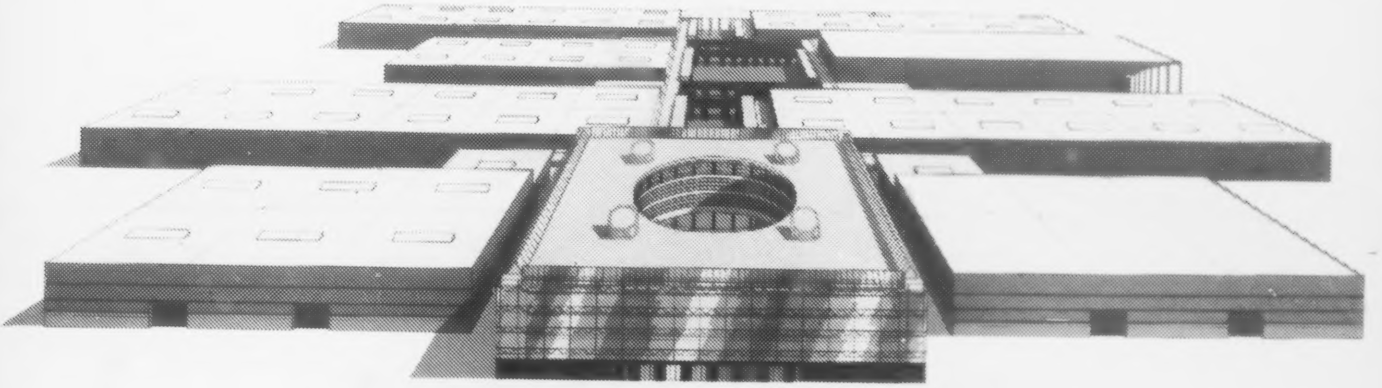

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U.S. Sports & Leisure Firms Discover Spanish Market

No amount of preparation, not even my Hispanic background and business activities in Mexico could have alerted me to the vitality, economic viability, and buying power I witnessed in Spain as a member of a trade mission to Spain and Portugal in March

BY GILBERT CISNEROS

As administrator of Region VIII of the U.S. Small Business Administration (SBA) in Denver, I represented the agency for a Matchmaker Trade Mission, one of several sponsored by the U.S. Department of Commerce (DOC) and SBA each year. This particular mission to Barcelona, Madrid and Lisbon served the sporting goods and leisure apparel industries.

I departed Spain with a sense of urgency and excitement—excitement at the potential for U.S. small firms doing business there and urgency about the desire to introduce more American small businesses to opportunities in Spain. I marveled at the buying power of its citizens, the desire by Spaniards to do business with American firms, and the potential for increased sales for U.S. companies through international trade with the Iberian Peninsula. It is not well known that 3.3 per cent of total Western European tourists to the U.S. are from Spain, or that in 1990, the U.S. exported $5.2 billion of goods to Spain while importing $3.3 billion from that country.

Spain's per capita gross domestic product has almost doubled since 1986, allowing Spaniards to spend more time and money on leisure activities.

Even with the disparity between exports and imports, Americans have not been aggressive enough in exporting to Spain, with the result that there has been a significant absence of U.S. firms and products in that country. This was the opinion of a Spaniard who felt that the imbalance resulted from a lack of awareness and education as to the potential market in Spain. He noted that Spaniards are willing to "pay the price" for American goods. These figures and the reception and enthusiasm on the part of the Spanish business community are the basis for my enthusiasm for the potential of American small firms there.

Several of the 21 companies participating in the Trade Mission met with representatives of Spanish businesses at receptions, during meetings and for one-on-one discussions. For many, this was the first venture into the European market, although 10 per cent did international trade with other areas. They also came away charged up by the challenge of new markets and the belief that the trip was worthwhile.

Fourteen of the 21 companies offered products in the athletic wear and leisure apparel category, while seven dealt with sporting goods and fitness equipment. California, with five firms, had the largest contingent, followed by Florida with three. The West Coast was also represented by one firm from Washington state. The Eastern U.S. had one firm from each of the following states: New York, New Jersey, Maryland, Pennsylvania, and West Virginia, as well as Washington, D.C. The Mid-West had one firm from each of the following states: Ohio, Wisconsin, Michigan, Iowa, Indiana and Illinois. The West had only Wyoming participating.

Joseph Klapp, owner of Mopet Mopeds of Ohio, an American manufacturer of mopeds, was unsure of the market potential in a European country given the already established popularity of European-made vehicles. However, the result far exceeded his expectations, for he walked away with several orders which he attributes to the low price of his mopeds. Klapp also expects to have to rehire a former employee in order to fill his orders.

Cade S.A., a Barcelona firm, has already paid a visit to American Design & Manufacturing in Seattle to follow up on an order for design work on sports apparel. Speaking for the firm, Kevin Conroy called the mission "really good."

"Dollar for dollar, the trade mission is the most effective way to promote your product internationally." Harriet Stone of NDL Products, Pompano Beach, Florida, maker of neoprene athletic products claimed that this, the first trade mission she has participated in, was much more successful than the trade and catalog shows she has attended for the past 13 years. She found a distributor for each line she carries and she expects this will eventually mean $500,000 in sales annually.

Several other firms also came away with concrete orders and many indicated that they intended to participate in future trade missions because of the successes and "professionalism" of the trip and government staffs involved.

How to Participate

How does a firm participate in a DOC/SBA-sponsored trade mission? DOC criteria require that it qualify under the Standard Industrial Classification (SIC) code for the industry highlighted for the mission. The company must be financially stable and pay all its own hotel and transportation fees. Naturally the fees differ depending on the countries visited.

SBA's contribution to the trade mission is to the individual firms. If a firm qualifies under DOC requirements, receives no other financial aid, is a small business under SBA size standards, and passed Dun and Bradstreet and SBA field checks, it will be paid $500 for a report to be submitted at the end of the mission. Reports are requested from the first ten firms to apply.

Each firm is required to submit company literature for the Matchmaker participant catalog and brochure. Although individuals are responsible for making their own travel arrangements, they must adhere to an itinerary planned by the Department of Commerce. Hotel arrangements are made by the DOC. An all-inclusive instructional packet is given each firm by DOC to make the trip as easy as possible.

Benefits of Matchmakers

The purpose of the Matchmaker Trade Missions is to "match" firms with potential agents, distributors and joint venture or licensing partners. The DOC does the background work—evaluating the product's potential, finding and screening contacts and handling logistics. It prescreens prospects interested in a particular product or service, does in-country publicity, schedules business appointments through the U.S. Embassy or Consulate, gives thorough briefings on market requirements and business practices and offers interpreter services. Trips are usually limited to one tightly scheduled week.

As a follow-up to the mission, we in Region VIII are planning "How to Do Business in Spain" events in Denver and Salt Lake City in September. The agenda probably will be similar to previous events with morning presentations followed by a luncheon.

Because of its location, Region VIII, comprising Colorado, Montana, North Dakota, South Dakota, Utah and Wyoming—the heart of recreational areas, as well as agriculture, mining, oil and gas, and space-oriented industries—offers those products and services appropriate for exporting to Spain.

I am enthusiastic about the part we can play in reaching out to U.S. small firms and informing and educating them about the potential of the Spanish market. I see an untapped venue that offers an increase in sales for small businesses. Coupling that with the receptive attitude of the Spanish business community can only result in successful trade between the two nations. Ω

MR. GILBERT CISNEROS *is the SBA Regional Administrator for Region VIII, covering Colorado, Montana, North Dakota, South Dakota, Utah and Wyoming.*

Companies participating in the Sporting Goods and Leisure Apparel Trade Mission to Spain and Portugal

American Soccer Company
726 E. Anaheim St.
Wilmington, CA 90744
(soccer & field equipment, soccer apparel)

Mopet Mopeds
405 A Old Gallia Pike
Franklin Furnace, OH 45629
(mopeds)

Area Rule Engineering
32232 Azores Rd.
Laguna Niguel, CA 92677
(fishing tackle & equipment)

Lake States Footwear, Inc.
10620 N. Port Washington Rd.
Mequon, WI 53092
(leisure footwear)

NDL Products, Inc.
2313 N.W. 30th Pl.
Pompano Beach, FL 33069
(neoprene athletic products)

Stahls' Inc.
20600 Stephens Dr.
St. Clair Shores, MI 48080
(silk-screened & heat sealing products)

Silverwood, Inc.
345 W. 70th St.
New York, NY 10023
(artwork on t-shirts)

Stanley Michaels
5280 N.W. 165th St.
Miami, FL 33014
(silk-screened beachwear)

Beach Patrol Sun Systems
107 Madison Ave.
Pleasantville, NJ 08232
(sun care products)

American Design & Manufacturing
1407 S. Dearborn St.
Seattle, WA 98144
(design work t-shirts, sweatshirts)

Logo-7
3229 N. Shadeland Ave.
Indianapolis, IN 46226
(athletic wear)

Jewel & Co., Inc.
7040 Virginia Manor Rd.
Beltsville, MD 20705
(printable sportswear)

Peace Frogs
1263 35th St. NW
Washington, D.C. 20007
(leisure-athletic wear)

Mary Fashion Mfg. Co., Inc.
380 West Main St.
Bath, PA 18014
(leisure active wear)

Stadium T's Int'l.
5150 N.W. 165th St.
Miami, FL 33014
(sweatshirts & t-shirts)

CYA in California
830 Traction Ave.
Los Angeles, CA 90013
(leisure wear)

Brunton/Lakota
620 E. Monroe St.
Riverton, WY 82501
(compasses)

S & E
1605 4th Ave.
Charleston, WV 25312
(snowboard & skateboard apparel)

Central City Manufacturing
P.O. Box P
Central City, IA 52214
(tent equipment, backpacks)

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Stones from Spain: A Sector with Great Potential in the U.S. Market

New promotional efforts are consolidating the world's desire for unique products of the Spanish landscape

BY JOSÉ ANTONIJUAN & ANDREU MATEU

For the past 13 years, total world production of natural stone (marble, granite, limestone and slate) has increased by 71 per cent. In 1990, world stone production totaled approximately 30 million metric tons, more than twenty times the quantity produced in 1925, making it apparent that this market has been undergoing a rapid growth rate in these past years.

Italy is responsible for 20 per cent of this total stone production (measured by quantity), while 10 per cent was produced in Spain, making Italy the world's largest stone producer and Spain the world's leading producer of granite and slate alone. Granite production in the world is increasing rapidly. In 1990, it represented 32 per cent of total stone production as compared to only 13 per cent in 1926.

Spain's principal export markets, measured in tons, are as follows: Italy 33 per cent; France, 25 per cent; Taiwan and the USA each with 9 per cent. However, the ranking of the main export markets varies when importance is measured in dollar value: France, 30 per cent; USA, 16 per cent; Italy, 11 per cent and Germany 10 per cent. This variation is due to the fact that stone block prices are considerably lower than elaborated stone: either slabs, tiles or cut-to- size. Spain exports large quantities of stone blocks to Italy which, in turn, elaborates and exports the material worldwide.

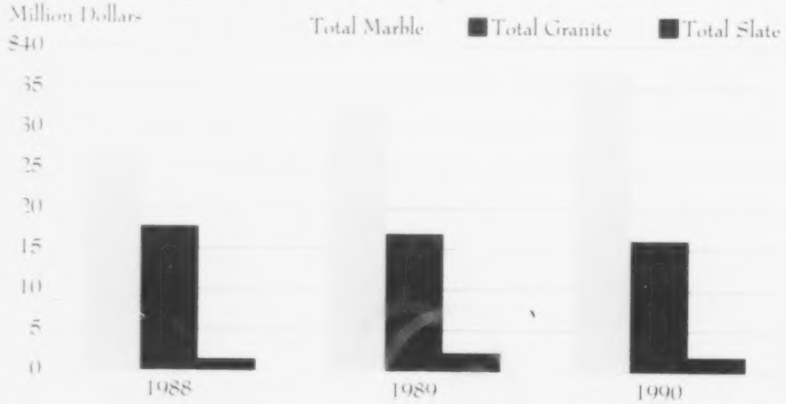
By looking at the accompanying charts, we can appreciate how much Spain exports to the U.S. and the importance of Spanish stone for total U.S. imports as compared to that of other countries. However, the Italian share of the U.S. market does not necessarily mean Italian stone share of the market as a whole. Sadly, Spanish stone that has been imported from Italy can quite often be found in the U.S. One questions the reason for this occurrence. Does Spain have the capacity to manufacture finished stones itself?

Spain not only possesses the quarries and varieties of stone, but also the necessary machinery, technology and know-how to fabricate the stone and offer a finished product of equal quality to that of the Italian product. Some experts maintain that Spain has the same machinery as the Italians but that it is, in many cases, newer.

Why then is it that Italy is selling Spanish stone, such as "Rosa Porriño" granite, in the U.S. market? What is the difference between the Spanish and Italian stone industries? Besides the difference in certain colorations in each country, the main difference between them is Italy's long-time marketing effort of its stone. The Italian government and Italian businessmen have been marketing their stone products in the world market and specifically in the U.S. for quite some time. Spain, however, with the exception of a handful of companies such as the well-known Ingemar, Ramilo, and Levantina, among others, has yet to initiate a worldwide marketing effort comparable to the Italian endeavor.

Spain has, without doubt, the quarries and the manufacturing capability to fabricate a quality product. We now must coordinate and improve our marketing efforts to increase sales by far more than the present growth figures. We must

Spanish Stone Exports to USA



Source: SPANISH CUSTOMS

educate the U.S. market on our diverse and unique colors of stone, our fabricating centers, our technology, and, as well, on our proven, long-term experience in both exterior and interior construction.

How can these obstacles be overcome? To achieve such a coordinated marketing effort, a high degree of awareness of the current situation is needed by both the Spanish Administration and the individual companies and associations. This awareness is being achieved.

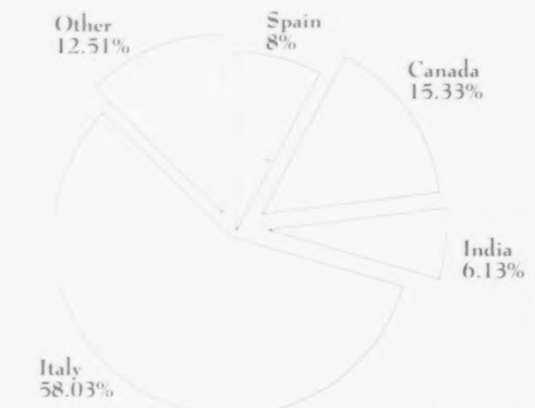
How is the Spanish Administration reacting to the present situation? The Ministry of Industry hired the prestigious firm of Price Waterhouse to assess the Spanish stone industry and its potential in the international market. Price Waterhouse published a very optimistic report about the potential Spanish stone has in the world market. In addition, the Spanish Institute for Foreign Trade, ICEX, has already collaborated with different promotional activities that the Federation of Natural Stone has been organizing since June 1990. At the present time, an extensive directory of companies and materials is being prepared with the assistance of ICEX.

A few Spanish companies have been in touch with the American market. Until 1988 there were only regional associations of stone manufacturers in Spain. The private sector was in serious need of an association that would coordinate the efforts of all the different companies. There was no single association grouping all the companies that would be strong enough to interface with the Spanish government.

In May 1989, Mr. Gregorio Nieves, publisher of the only magazine for the Stone sector, *Roc Maquina*, led the creation of the F.D.P. (Federación para el Desarrollo de la Piedra Natural), the Spanish Federation for the Development of Natural Stone, whose Board of Directors were the presidents of the various regional associations that had existed for some time. The Association of Manufacturers of Abrasives and that of Diamond Cutting Tools also joined the Federation.

Why is Italy selling Spanish stone, such as "Rosa Porriño" granite, in the U.S. market?

Main Suppliers of Granite to the USA



Source: Stone World Magazine

The promotion of Spanish stone in international markets, especially in the major markets of the U.S., Germany and Japan, is one of the highest priorities of the Federation. Mr. Antonio Rodriguez, a geologist who was appointed Executive Director, has enthusiastically been running the Federation since its inception.

Different promotional activities have already been undertaken by the F.D.P.: In June of last year it organized a trip for all the members of the Board of Directors and other key people, who visited and interviewed experts in Miami, Los Angeles, Montreal, Toronto, Chicago, Houston and New York. They also invited a group of 25 professionals from the U.S. and 250 from other countries to visit, in February of this year, the EXPOPIEDRA '91 Show in Seville. Last May 1st-4th, the Miami Beach Convention Center hosted the International Tile Exposition and of the 49 Spanish manufacturers of stone, Artemarmol, Bermarmol, Grupo Levantina, Iberstone Group and Stone Marble attended. Ingemar, one of the biggest manufacturers of finished granite in the world, was also represented.

All these activities are only the beginning, and the Federation has very ambitious plans for 1992.

Encouraging results are being achieved due to the efforts of both the government and the private sector. In 1980, the Ministry of Defense acquired a large number of military aircraft from MacDonell Douglas under an agreement (the offset program FACA) whereby that company would help the Spanish government to balance trade by developing markets in the U.S. for Spanish companies. The Trading Company International Trade Development Corporation, lead by Mr. Robert Keller, has been MacDonell Douglas' principal collaborator in realizing this program.

We are pleased and happy to announce that the company Associated Marble Industry Inc. has been awarded a contract to supply Spanish granite tile and dimensional stone for one of the largest construction projects in the U.S., the renovation of the central passenger terminal building at New York's La Guardia Airport.

Transnational has been deeply involved in the negotiations between Associated Marble Industry Inc. and the Spanish companies Artemarmol and Granite World. Also, the future tallest building in Cleveland, Ohio, the 65-floor Hotel Hyatt, designed by the architectural firm Kohn, Pederson & Fox, will have Spanish "Conquistador Beige" marble in its walls.

These are only a few of a good number of important recent projects in the U.S. for which Spain has supplied or is supplying stone.

Of course, the economic recession has greatly influenced the construction sector in this country and therefore, stone market size is not growing as rapidly as could be hoped. Nevertheless, we have the potential of taking a bigger share of this market and we will do our best to do so. Ω

JOSÉ ANTONIJUAN & ANDREU MATEU *are Director and Deputy Director, respectively, of the Commercial Office of Spain's Industrial Products and Technology Department.*

El Sector de la Alimentación en los EEUU

España es el primer proveedor de alimentos enlatados para los EEUU

POR MARTA RUIGOMEZ

El mercado americano de la alimentación presenta un gran potencial para el exportador español; un mercado con unos 244 millones de consumidores es un importante desafío.

Las prioridades del consumidor americano se dirigen hacia tres vertientes claramente definidas: La primera se basa en los alimentos fáciles de preparar -**Convenience Food**-, caracterizados por la comodidad. El 70% de los hogares americanos tienen microondas y se estima que el consumidor americano ocupa unos 15 minutos preparando su comida diaria. En segundo lugar, existe una gran preocupación por la comida saludable,- **Healthy Food**-. Son alimentos nutritivos, bajos en grasas y en colesterol. Por último, se encuentran los alimentos sofisticados y de alta calidad -**Specialty Food**-. Es la alimentación tipo gourmet. El empaquetado es un arte y el precio es elevado. Las conservas de pescado y de verduras se incluyen en este apartado.

El mercado americano de alimentación se orienta hacia el interior, ya que exporta menos del 4%, y se dirige hacia alimentos bajos en valor añadido. Mayoritariamente se importan alimentos más procesados y de tipo étnico. España es el primer proveedor de alimentos enlatados para los EEUU.

El coste de entrada en un supermercado es muy elevado. Se tienen que cumplir las regulaciones del Food and Drug Administration (FDA) y se exigen los "slotting allowances" (tasas de entrada). La eleccion del canal de distribución es crucial y depende básicamente del tipo de producto, del mercado al que va dirigido y de la inversión que se quiera realizar.

En un primer momento, el paso conveniente sería dirigirse hacia el mercado hispano. Las ventajas son la similitud en los gustos y la concentración en zonas geográficas específicas.

Introducción de Nuevos Productos Envasados

(% de incremento 1989)

Alimentos para gatos	66%
Pescados y derivados	51%
Cereales (desayuno)	48%
Cafés	46%
Galletas	21%
Arroz	20%
Agua Mineral	18%

Fuente: SUPERMARKET BUSINESS (MARZO 1990)

Para las PYMES, una primera posibilidad es dirigirse al mercado con la marca del importador. Estas empresas americanas tienen un poder y una experiencia en el mercado que les permite tener su propia red de distribución. Los productos se importan con las características de envase y etiquetado de acuerdo con la regulación americana. Dado el menor riesgo, el esfuerzo del exportador es mínimo en comparación con las demás alternativas.

Sin embargo, si se quiere crear una imagen de calidad y de marca, la opción idónea sería la introducción mediante importadores-distribuidores y/o food-brokers. Una buena elección de los mismos permite tener mucho campo ganado, pues conocen bien el mercado. Es fundamental el seguimiento y apoyo continuado a la red de ventas del distribuidor. Un paso más, es la elección de importadores que a la vez sean minoristas. Para dar a conocer la marca, se establecen acuerdos promocionales con los distribuidores y con los minoristas.

Por último, existe la posibilidad de creación de una oficina propia en los EEUU. Las ventajas que ofrece, son el conocimiento directo del mercado y el contacto continuo con la red de distribución. Está dirigido hacia empresas con posibilidades de inversión y con claros objetivos de permanencia a medio y largo plazo. Se suelen abrir en zonas claves como Nueva York o Miami. Una o dos personas a su frente suele ser suficiente. El resto se subcontrata (almacenes, camiones...). Otra opción, sería la presencia de un delegado no permanente, pero sí de forma regular.

Independientemente de la distribución elegida, los "alimentos de España" se deben introducir por la calidad, el diseño, el envase y la imagen de marca. Los alimentos españoles constituyen una buena alternativa a los italianos y a los mexicanos, pero se necesita un mayor conocimiento, a nivel de imagen de marca y de producto español. Es necesaria una gran labor de promoción, pero merece la pena por el gran potencial de absorción que presenta el mercado americano.

Las verduras, condimentos y salsas siguen teniendo grandes posibilidades, ya que se buscan alimentos que acompañen a los ya preparados, y que sirvan para dar un toque personal a las dietas. Alimentos sofisticados, de alta calidad y acompañados de una buena promoción cumplen estas características. Otra posibilidad está en la introdución de alimentos semipreparados fáciles de cocinar, y sin olvidar una buena presentación. Ω

MARTA RUIGOMEZ *es economista y actualmente es asesor de comercio exterior para la cámara de comercio e Industria de Madrid en Nueva York.*

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[Spain Survey]

A Space Deficit in Spanish Real Estate

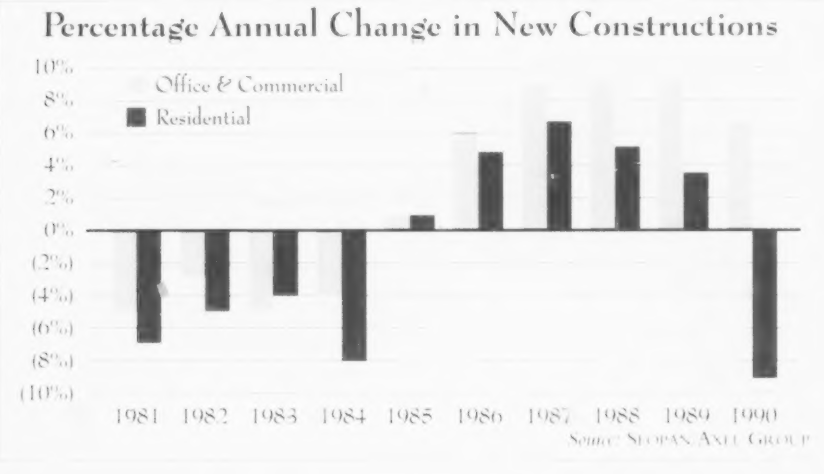
The economic, tax and demographic factors which gave rise to the fastest growing real estate market in Europe during the latter half of the 1980's have decelerated

BY JOAQUIN TAMAMES

After almost ten years of stagnant and declining property prices due to a number of economic and political uncertainties, the Spanish real estate market began to recover in 1986, primarily due to EC membership, which unleashed an unprecedented economic expansion across the country. Since 1985, the Spanish property sector has been the strongest in Europe, with a rapid and widespread growth in rents and prices. The recovery was most pronounced in Madrid, which is by far the largest and most significant office market in Spain.

In the residential sector, a combination of demographic changes and depressed housing prices triggered a revival in housing demand between 1985 and 1989. The previously weak price environment had its origin in the tax reform act of 1978, which introduced the wealth tax and other personal tax measures and caused a large and sudden oversupply of housing units as owners sold their premises in favor of liquidity and rental accommodation. By 1986, pent-up demand and attractive residential prices stimulated a large increase in demand for housing from the growing 25-to-30-year-old segment of the population. This wave is now by and large past, and housing demand is expected to remain relatively weak in the years to come.

One of the chief obstacles to new office construction and the development of a Spanish property market was the existence of highly restrictive tenancy laws, which provided occupants with perpetual security of tenure at fixed rents subject only to inflation indexation. The Boyer Law terminated this security and liberalized the market, so that landlord and tenant are now free to negotiate new occupancy contracts. This has resulted in a market in which the supply of office space is not merely determined by the needs of the owner-occupant but also by the demand for rental space.



Percentage Annual Change in New Constructions

Source: SEOPAN/AXEL GROUP

Urban Development Regulations

The introduction of the Boyer Law removed one major obstacle to the development of new rental space. However, highly restrictive urban planning regulations have made land a scarce product in all major cities in Spain and as a result development costs have increased. Ironically, restrictions on developments were partly implemented to curb land speculation, but had the opposite effect as these measures reduced available supply and contributed to a large increase in prices. As a result, the cost of land as a proportion of total development costs in central areas has increased from 30 per cent to as high as 70 per cent in certain projects. In addition, many individual land plots were intentionally kept undeveloped by private owners in order to extract attractive offers from developers, thus further fueling the speculative land market.

To increase the supply of land, the government recently passed a new Land Law which intends to accelerate the appearance of currently undeveloped land on the market by setting maximum time periods for developing properties. At the risk of losing planning permission, this is expected to force individual land owners to sell and raise the supply available for developers with capital to build.

Parallel to economic development, the Spanish financial system underwent important changes, brought about to a large extent by the main European and American banks entering the Spanish market. New and innovative mortgage credit products were part of the changing economic climate and had an important effect on the property market as purchasers of real estate assets gained relatively easy access to mortgage financing. This development, together with strong consumerism in general, prompted the governments's tough anti-inflation policy which culminated in officially imposed credit restrictions on the banking system in 1989-1990. Although the restrictions were lifted in January of 1991, interest rates remain high and consumer financing is still prohibitively expensive.

European Rental Growth and Returns
(1986–1989)

City	*Rental Growth*	*Yield*
Madrid	**115%**	**5.2%**
London	125%	5.0%
Paris	25%	4.9%
Milan	NA	NA
Frankfurt	66%	4.9%
Brussels	24%	5.9%
Amsterdam	27%	5.6%
Average	53%	5.3%

Source: RICHARD ELLIS/HEALEY & BAKER

The government's tough monetary policy has created one of the most expensive mortgage financing markets ion Europe. For example, mortgage rates in Spain are between 16 per cent and 17 per cent compared to around 10 per cent in France, while the inflation differential between the two countries is only about 3 per cent. To put this in perspective, the monthly mortgage bill for a new house owner in Spain would be 25 per cent higher on a 10-year loan than in France and 40 per cent higher on a 20-year mortgage. This situation is not improved by the fact that average per capita disposable income is lower in Spain than in France. Should interest rates fall over the next couple of years, we would expect to see a revival of the residential sector.

The Commercial Sector: Madrid

The demand for office space is largely determined by the performance of the economy in general. Membership in the EC and the strong economic growth across the country during the second half of the 1980's created a robust market for office property. The strength of this demand was also due to the low inventory of rental accommodation which existed prior to 1986. A regulated rental market provided no incentive for the development of property for investment purposes and as a result, office occupants only built what they themselves needed. Demand still exceeds supply in most central metropolitan areas, and the deficit is expected to last through 1993.

The office market in Madrid is by far the largest and most significant one in Spain. However, and despite the strong growth the Madrid economy had experienced during the last five years, its office market remains one of the smallest and least developed in Europe in terms of net rentable space. Of the approximately 3,650,000 square meters (37,600,000 square feet) of total inventory of modern air conditioned office space in greater Madrid, only 35 per cent is available as rental property, with the remaining 65 per cent being occupied by owners.

In other European office markets, the proportion of owner-occupied office space is typically smaller. For example, available rental property in Madrid represents approximately 10 per cent of that available in Frankfurt and 25 per cent of the rental stock in Paris. A major reason for this situation was the existence of a highly regulated rental market where the supply was merely motivated by the space requirements of the owner-occupant. Madrid is also the only major European capital where the demand for modern rental property consistently exceeds the supply. Market estimates suggest that the current shortage is in excess of 50,000 square meters (537,500 square feet). Of this deficit, Madrid's core office market comprising the area around Plaza de la Cibeles, Paseo de la Castellana, Paseo de Recoletos, Plaza de Colon and Plaza de la Lealtad accounts for over 40 per cent, or approximately 20,000 square meters (215,000 square feet). This core location deficit is expected to increase and reach over 30,000 square meters (322,500 square feet) by the end of 1991.

For many of these reasons, Madrid is now the third most expensive European office center behind the long established locations of London and Paris. Between 1986 and 1989, rental costs in Madrid increased approximately 115 per cent compared to 125 per cent in London, 25 per cent in Paris and 66 per cent in Frankfurt. Despite this increase, however, rents in Madrid are still only 50 per cent of those prevailing in London and 73 per cent of rental costs in Paris. As of this writing in early February, market estimates for 1990 suggest that rental growth slowed somewhat and registered approximately a 12 per cent increase over 1989. Market expectations for 1991 range between 10 per cent and 12 per cent.

Capital values have responded accordingly, pushing yields on core site properties form 8.5 per cent in 1985 to 5 per cent today. As a result, yields in the city center of Madrid are now close to those available in other major European central office districts.

Overall, Madrid will continue to experience a relatively strong property market characterized by a consistent shortage of rental supply and strong tenant demand. The city represents an acute situation, as there is practically no clear solution to the supply shortage. An alternative exists in the suburbs and the market expects a continuing trend toward the city fringes as attractive office locations.

JOAQUIN TAMAMES *is a partner at the Axel Group, a marketing and financial research firm based in Madrid.*

THE OLYMPICS IN BARCELONA:
THE FINAL STRETCH

PRESENTED BY THE SPAIN-USA CHAMBER OF COMMERCE

New York

A Special Report Sponsored by **TELEFÓNICA DE ESPAÑA**

THE WHITE HOUSE
WASHINGTON

June 13, 1991

SPECIAL REPORT

I am delighted to send warm greetings to the members of the Spain-U.S.A. Chamber of Commerce.

In 1992, when we will mark the 500th anniversary of Christopher Columbus's journey to the New World, we will also celebrate the close and enduring ties that exist between the United States and Spain. Those ties are deeply rooted in history, and they are enriched today through our bilateral trade and cooperation.

The year 1992 will be particularly significant for the Spain-U.S.A. Chamber of Commerce, as the Games of the XXV Olympiad will be hosted by Barcelona. The '92 Olympic Games will not only give the residents of that beautiful, historic city a chance to demonstrate their hospitality but also provide your members with new opportunities to enhance the commercial relations between our two countries.

I join with you in looking forward to the Games, and I send best wishes as you continue your important work. God bless you.

G Bush

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THE PRESIDENT

SPECIAL REPORT

IOC PRESIDENT'S MESSAGE TO BUSINESS LINK MAGAZINE

Honourable Board of Directors of the Spain-USA Chamber of Commerce,
Dear friends,

Only one short year separates us from the great challenge that the Games of the XXV Olympiad in Barcelona will be for the people of that city and for the whole of Spain.

In organizing these Olympic Games, Barcelona, the Spanish people and the whole Olympic Movement are striving to achieve three main aims: To offer the participating athletes, artists and those who will accompany them, as well as the spectators and public at large, an atmosphere of mutual understanding, fraternity and peace at the greatest gathering of young people in the world; to strengthen the solidarity among the participants through a cultural programme which will help them to become mutually acquainted with their respective artistic expressions; and finally to show the world a true image of the region of Barcelona and of Spain in general.

Olympism is a philosophy of life which is the inspiration of a humanistic and pedagogical movement that seeks to blend sport with culture and education and create a way of life based on the joy found in effort, the value of good example and respect for universal ethical principles. It helps to improve our world by enabling people to get to know each other and strengthen their bonds of friendship. One of the main ways of achieving this goal is by the organization of excellent Olympic Games that harmoniously unite sport and art, the body and the mind.

The city of Barcelona, the people of Spain and the international Olympic Movement have the task of preparing the Games of the XXV Olympiad in such a way that they be worthy of the Olympic ideals. I am personally convinced that we shall organize them successfully and with dignity.

Dear friends, on behalf of the International Olympic Committee, of which I have the honour to be President, and of the whole Olympic Movement, I invite you to come the the Games of the XXV Olympiad in Barcelona where you will, I hope, enjoy the most unforgettable sports and cultural festival of your life.

Juan Antonio SAMARANCH

Lausanne, 29th May 1991

Barcelona the Olympic City

SPECIAL REPORT

Barcelona's port at the turn of the twentieth century shown (above) contrasts with the view of Barcelona today (below) where Christopher Columbus points toward the new world.

Barcelona, the host city of the 1992 Summer Olympic Games, is the capital of the autonomous community of Catalonia and the second city of Spain. Located in the north-east of the Iberian Peninsula, it has a population of 1,700,000.

The city of Barcelona spreads over a plain bordered by the Mediterranean, the Serra de Collserola and the Llobregat and Besós rivers. This location has given the city a mild micro-climate with average temperatures of 9° C in winter and 23.5° C in summer, an annual rainfall of 600mm and about 2,500 hours of sunshine every year.

These geographical and climatic factors have made the city and its surroundings a major force in economics and commerce. Industry and the services sector in Barcelona have developed rapidly side by side, converting the city into a major center for foreign investment in fields such as electronics, data-processing, chemistry, pharmaceutical products and automation. This has produced a spectacular growth in the GPD of Catalonia, which represents 19.5 per cent of the total for Spain.

The active population of Barcelona and the surrounding area is put at 1,200,000, of whom 1 per cent work in the primary sector, 44 per cent in the industrial sector and 55 per cent in the services sector. Economic growth in the Barcelona area has brought about a substantial reduction in the unemployment rate. In 1989 it fell by 15.4 per cent as compared with 1988.

Barcelona has a long tourist tradition. To its strong Mediterranean personality we must add a series of features such as the 14 km of beaches, the delicious local food, a wide range of cultural events and a substantial hotel capacity. Other outstanding features are the Costa Brava to the North and the Costa Daurada to the South, attractive tourist regions offering magnificent amenities to visitors. The Pyrenees, which abound with modern skiing and mountaineering resorts, are just over 100 km from the city.

These visitors have the opportunity to discover a vital aspect of the personality of the city: its culture. Over 2,000 years of history have left their mark on Barcelona: Romanesque and Gothic art rub shoulders in an urban landscape which they share with the heritage of the great geniuses of Modernism and the avant-garde. The city is now seeing a flowering of young artistic and cultural talent among its designers, musicians and painters.

Barcelona is inseparable from internationally known names such as Antoni Gaudí, Pablo Picasso, Pau Casals, Salvador Dalí, Antoni Tápies, Joan Miró, Montserrat Caballé or José Carreras. They are part of Barcelona. They are its culture. Ω

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Summer 1992 Schedule for Gold Medal Awards

SPECIAL REPORT

	July								*August*									
Olympic sports	*24* *Fri*	*25* *Sat*	*26* *Sun*	*27* *Mon*	*28* *Tue*	*29* *Wed*	*30* *Thu*	*31* *Fri*	*1* *Sat*	*2* *Sun*	*3* *Mon*	*4* *Tue*	*5* *Wed*	*6* *Thu*	*7* *Fri*	*8* *Sat*	*9* *Sun*	*Total medals*
Opening ceremony		■																
Athletics								2	4	5	6		5	5	6	9	1	43
Badminton												4						4
Basketball															1	1		2
Handball																2		2
Baseball													1					1
Boxing																6	6	12
Cycling			2	1		1		5		1								10
Fencing							1	1	1	1		1	1	1	1			8
Football																1		1
Gymnastics					1	1	1	1	4	6						1		15
Weightlifting			1	1	1	1	1	1	1	1	1	1						10
Equestrian sports							2				1	1	1				1	6
Hockey															1	1		2
Judo				2	2	2	2	2	2	2								14
Wrestling					3	3	4						3	3	4			20
Swimming			4	5	5	5	6	6										31
Diving				1		1					1	1						4
Synchronized Swimming														1	1			2
Water polo																	1	1
Modern pentathalon						2												2
Canoeing									2	2					6	6		16
Rowing									7	7								14
Tennis															2	2		4
Table tennis											1	1	1	1				4
Shooting			2	2	2	1	2	1	2	1								13
Archery											2	2						4
Yachting										2	7	1						10
Volleyball															1		1	2
Closing ceremony																	■	
Medals			*9*	*12*	*14*	*17*	*19*	*19*	*23*	*28*	*19*	*12*	*12*	*11*	*23*	*29*	*10*	*257*

Supporting the American Olympic Dream

It's the generosity of nearly one million individual Americans and U.S. corporations that sustains our Olympic effort

BY JOHN KRIMSKY, JR.

SPECIAL REPORT

The United States has many of the most talented and dedicated athletes in the world, but they can't meet their full potential without financial support. America is unique in the Olympic world in that the nation's Olympic effort is propelled by its individual citizens and major support from the corporate community. The United States Olympic Team receives no government subsidy. The USA's Olympic team is truly representative of the free enterprise system.

The USOC has set an ambitious goal of $272 million as its budget for the 1989-92 quadrennium. This is a major increase compared to the $156 million spent to develop and support the U.S. Team during the recent four-year period which culminated with the 1988 Olympic Games in Calgary and Seoul.

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A record 56 companies rallied to the cause during the 1985-88 quadrennium, supplying 43 per cent of total USOC revenues

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Corporate Participation

The USOC relies substantially on the U.S. corporate community to support its Olympic effort. A record 56 companies rallied to the cause during the 1985-88 quadrennium, supplying 43 per cent of total USOC revenues.

Sponsors seek the marketing advantages of association with the world's greatest sporting events. The prestige and excellence which distinguish the Olympic Games are also qualities which America's successful companies wish to communicate to consumers about their products and services. Sponsors acquire the rights to use the U.S. Olympic marks and terminology on their product packaging and in their advertising and sales promotion, obtaining exclusivity within the product category.

USOC sponsorship competes for the marketing dollar against all other forms of advertising and promotional activities. On that basis, U.S. Olympic sponsorship must earn its share of the budget and prove its value. A company's sponsorship of the Olympic movement and its relationship with the 1992 U.S. Olympic Team generates a widespread and positive awareness of its products, enhancing sales, market share and profits. In a 1988 survey, 79 per cent of the Americans polled placed a positive value on products carrying the U.S. Olympic symbol.

As the USOC and its corporate partners come to understand each other, areas of mutual benefit can be recognized. A primary example of this was Visa's cause-related marketing program entitled "Pull for the Team." Visa made a donation to the U.S. Team every time its members used their cards. The result was $2 million in incremental income for the USOC and a 20 per cent increase over the previous year's Visa card usage.

Licensing

The USOC grants manufacturers, through a licensing agreement, the commercial right to use the USA/five-ring logo and USOC/laurel wreath logo on a designated product, product-packaging, and related advertising and promotional materials. In return, a royalty payment is made to the USOC based on the quantity of product sold and its wholesale value.

The most significant change in the U.S. Olympic Committee Licensing Program for the 1989-92 quadrennium is the creation of a licensed apparel brand with exclusive retail distribution. The U.S. Olympic Committee entered into an agreement with J.C. Penney Company, Inc., in May 1989 for the manufacture and exclusive distribution of branded Olympic apparel under the name "USA Olympic." This apparel program, created for men, women and children, is currently available in 1,400 J.C. Penney stores across the nation. The U.S. Olympic Committee will also grant several traditional licenses in categories such as headwear, posters, fine artwork, watches, sunglasses, mugs, sport bags and pins. In addition, the USOC will expand into non-traditional product categories such as glassware, luggage, mattresses and home furnishings. In granting these licenses, the USOC recognizes the value of such products for supply to the U.S. Olympic Training Centers and to the 1992 U.S. Olympic Team.

Direct Marketing Program

As a non-profit organization, it is important that the USOC involves all Americans in support of the U.S. Olympic movement. This program consists of direct mail contribution solicitation; mail order purchases of U.S. Olympic Training Center fashions through distribution of catalogs, flyers and magazine advertising; U.S. Olympic Gift Shops nationwide; and public service announcements for use in television, radio and print media; all of which are supported by in-bound "1-800" service.

The growth of the program is exemplified by the fact that, in 1985, the revenue produced was barely $1 million, whereas the goal for 1989-92 reflects revenues in excess of $40 million. More than 10 million pieces of mail will be distributed and more than four million mail order catalogs will be sent out, which will generate close to two million responses by the end of 1992. More than 1,200,000 packages will be shipped during this quadrennium.

State Olympic Organizations

Olympic organizations in each state and the District of Columbia produce events and fund-raising programs in support of the U.S. Team. The goal for volunteer fundraising for the 1989-92 quadrennium is $22 million.

These efforts are coordinated through USOC regional offices located in New York, Atlanta, Washington, D.C., Chicago and Los Angeles. The USOC Finance Committee, chaired by John Steffens, President of Merrill Lynch Consumer Markets, oversees the volunteer organization. State chairs are selected from among business and civic leaders and are highly appreciated for their contacts and commitment to Olympic ideals.

Another way in which many prominent corporations have been able to join the Olympic cause is through the Olympic Team-Up program. General Electric was the first to adopt the program and provide the opportunity for its 250,000 employees to make donations to the U.S. Olympic Team through payroll deductions. Each donation was matched by the corporate foundation. First Interstate Bank, The Boeing Company, Pacific Northwest Bell and New York Telephone are among other companies which have conducted Team-Up Programs and demonstrated their commitment to the success of the U.S. Olympic Team.

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> **The United States Olympic Team receives no government subsidy. The USA's Olympic team is truly representative of the free enterprise system and the USOC is proud to say, "America doesn't send its athletes to the Olympic Games, Americans do"**

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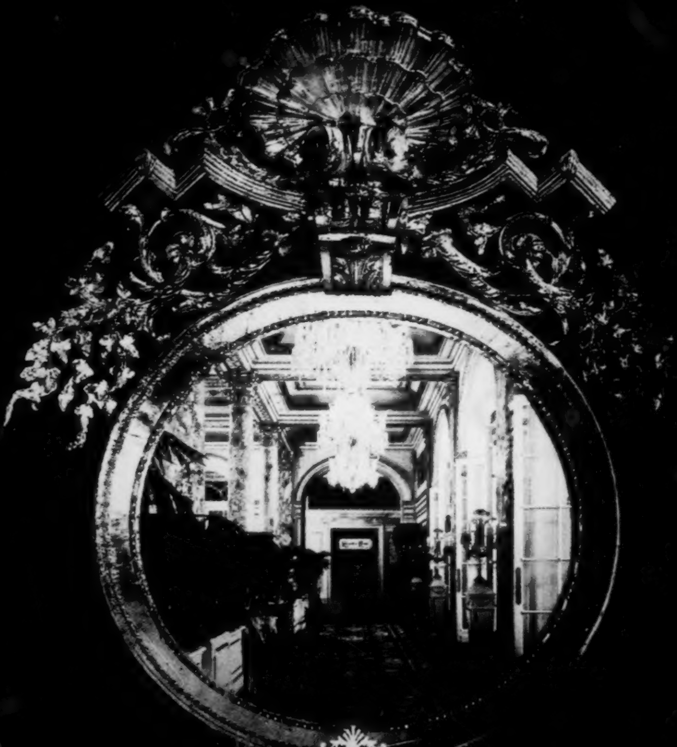
State Tax Check-Off and Federal Campaigns

Nine states currently provide the opportunity for their taxpayers to make donations to the USOC on their state income tax returns. These states are: California, Colorado, Delaware, Idaho, Iowa, Kentucky, Pennsylvania, Rhode Island and Virginia. The State Tax Check-Off Programs have generated $1.75 million in the last quadrennium.

The USOC also participates in 432 local federal campaigns which allow 4.5 million federal employees and military personnel to contribute directly to the USOC through payroll deductions. The USOC is selected as an eligible charity through an application process conducted each year with the Federal Office of Personnel Management. This Program yielded more than 10,000 individual donations which totaled $538,000 in 1989. Ω

JOHN KRIMSKY, JR. *is the Deputy Secretary General for the United States Olympic Committee, based in Colorado Springs, CO.*



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Barcelona's 'Return to the Sea': A $7.5 Billion Urban Renewal

SPECIAL REPORT

In Barcelona, as it was in 1888 and 1929 with the two World's Fairs that the city hosted, the 1992 Olympic Games have been a catalyst for a major city renewal, to get projects underway that otherwise would have taken another ten years or more to be accomplished if at all. The Games present a real deadline; everything must be in place for the Games since the whole world will be watching. Therefore, because of this worldwide attention, the Games bring together whatever is required: public support, political unity and public financing, mainly federal and local. Without any of these three, it would be almost impossible to carry out such a city renovation.

Thus, the Games have been a unique opportunity, a unique reason for Barcelona to rejuvenate itself. The estimated cost of all the Olympic related investments amounts to $7.5 billion.

This renewal has taken place through several different projects. However, if it were necessary to choose the key urban project for which the 1992 Games will be remembered, the Barcelona's waterfront renewal project would probably be chosen.

Barcelona is a city whose growth and wealth, since the time of the Romans, developed around its harbor. However, the industrialization of the city in the nineteenth century caused it to grow away from the sea. The railroads and factories set up on the waterfront forced the city to turn its back on what had formerly been its heart. And it is now, interestingly enough, 500 years after Christopher Columbus landed in our port, returning from his first trip to the New World, that Barcelona looks once again to its harbor.

Investments for Barcelona '92 "Return to the Sea"

	US$ Millions	*% of Total*
1. Ring Road Network	$2,008.8	26.68
2. Olympic Village	1,882.5	25.02
3. Olympic Venues	1,096.8	14.57
4. Airport/Renovation	271.0	3.60
5. Telecommunications	245.1	3.25
6. Port Renovation	468.0	6.22
7. New Central Business Districts' Infrastructure	582.0	7.73
8. Other Sports Facilities	195.9	2.60
9. Culture Facilities	161.7	2.14
10. Subway	117.0	1.55
11. Other Infrastructure Improvements (sewer, utilities, etc.)	100.7	1.33
12. New Hotels	395.5	5.25
Total	**$7,517.0**	**100.00**

Source: COOB '92

In addition to waterfront renewal, the renewal of Barcelona as a whole also includes several other projects, the most interesting being:

-The renewal of the "Ciutat Vella" or "Old City", the historic center of Barcelona, costing over $350 million, (to be completed in the year 2000). This includes Richard Meier's Museum of Contemporary Art at the old "Casa de la Caritat", or "Charity House";

-The renovation of the airport, which will cost over $250 million and be able to handle over 17 million passengers per year;

-The 780 foot-high telecommunications tower costing $45 million.

-The new Music Hall Auditorium, worth $30 million with a seating capacity for 2,600 people.

-The new National Theater, a 70,000 square foot development costing $25 million, with a one-thousand-seat and a five-hundred-seat auditorium;

-Twenty new first-class hotels, offering 3,200 more rooms, or 6,400 beds to travelers. The estimated cost of these hotels is expected to be $400 million.

Needless to say, the Olympic Stadium, the Sant Jordi Palace and their surrounding areas (the most important sports venues for the Games) are also among the projects that are shaping the new Barcelona. The Olympic Stadium, with a capacity for 55,000 people, was built in 1929 and has now been refurbished for the Games. The Sant Jordi arena, designed by the Japanese architect Arata Isozaki, holds 17,000 people.

The Recovery of the Waterfront

Nevertheless, it is the renovation of the city's seafront that can be considered the focal point of the city's urban renaissance. This seafront recovery will take place via the following projects:

1) The Diagonal Mar project is the least developed of

the three; ground has not yet been broken. However, due to its size and scope, this project deserves to be considered among those that are reshaping Barcelona's waterfront.

One of the developers of this 90-acre project is a company called Kepro, a partnership of two American organizations and a Spanish one. The Americans involved in it are Kemper and the Chicago-based Prime Group that paid approximately $150 million for 55 of 90 acres.

Of these 90 acres, Kepro is developing 65 and considering plans to develop two million square feet of office space, another million of retail, 600,000 of residential and probably a 300,000 square foot hotel.

2) The renovation of the Port is also of paramount importance in Barcelona's "return to the sea." The overall cost of this project is estimated at $468 million and it includes two office buildings, a shopping mall, a leisure center and a new marina.

The whole renovation consists of four areas:

-The Barceloneta Quay

-The España Quay

-The Deposito Quay, and

-The Barcelona Quay.

In the Barceloneta Quay a new $25 million marina with a capacity for 500 large yachts is being built, together with some new facilities for yacht maintenance and repair (called the Technical Services Area).

Aerial view of Barcelona's new Olympic village.

In the Deposito Quay, the old General Warehouses building is being renovated into a 250,000 square foot office building at a cost of $30 million.

In the España Quay, there are two different projects:

-The leisure center, and

-The commercial mall.

The Leisure Center will cost $80 million and includes an IMAX Cinema movie theater, two aquariums and an Epcot Center-like sea world attraction.

The Commercial Mall is a 220,000 square foot development with an estimated cost of $60 million, similar to the South Street Seaport development in New York, or to Copley Square in Boston. It is important to point out that the Baltimore-based The Enterprise International Development Company, of the Rouse Group, is a major player in this development.

However, the flagship of the Port renovation is the Barcelona Quay, with its 900,000 square foot office building designed by Harry Cobb and I.M. Pei. The development cost of this project is estimated at $268 million, and it includes a maritime terminal for five ferry boats.

The Olympic Village: The Jewel of the City

In the same way that this business center is the focus of the Port renovation, the Olympic Village is the jewel of Barcelona's renaissance.

-The whole project is worth $1.8 billion; $1 billion in residential and commercial developments and $800 million in infrastructure.

-It covers 375 acres and includes 125 acres of parks, 100 acres of residential space — 2,000 new apartments costing $250 million; a 900,000 square foot commercial mall costing $120 million dollars; four five-story office buildings with a total of 200,000 square foot of office space, costing $35 million, and two forty-four-story towers, the tallest in Barcelona. One will have 400,000 square foot of office space and the other, developed by the Travelstead Group and designed by Bruce Graham of Skidmore, Owing & Merril (the same firm that designed the Sears Tower in Chicago) is going to be a first-class hotel with 395 rooms and 61 suites, costing $250 million.

The Olympic Village also includes:

-A new 250,000 square foot convention center costing $50 million, and

-A new marina with room for 700 boats, costing $70 million. It should be noted that, before development, this area had just 15 acres of beach, and now has 45, because 30 have been recovered from the sea.

The importance of the city's waterfront renewal is clear, since it accounts for a 30 per cent ($2.3 billion) of the total amount invested for "Olympic Games Reasons" ($7.5 billion). All this has put the city 10 years ahead of its time. Ω

[Barcelona Olympics]

Exclusive and Unprecedented Coverage Planned by NBC

Three pay-per-view channels, appropriately labeled Red, White and Blue, will broadcast a total of 1,080 hours of continuous coverage for the duration of the Games

BY RANDEL A. FALCO

SPECIAL REPORT

As thousands of athletes and coaches converge on Barcelona to participate in the Games of the XXV Olympiad, hundreds of NBC staffers will be there as well — to broadcast the excitement and drama of the 1992 Olympics back to the United States.

Indeed, runners, gymnasts and swimmers aren't the only ones who have invested tremendous time and energy in preparing for the Barcelona Games. Since it bid a record $401 million for the exclusive U.S. broadcast rights to the Olympics in December of 1988, NBC has been gearing up for its role in the Games. In all, the network will televise 161 hours of regular programming from the preview show on July 24, 1992, to the Closing Ceremony on August 9. In addition, NBC will unveil an unprecedented pay-per-view telecast, accounting for an additional 1,080 hours of programming.

Income From Television Rights for the Games

(In US $millions)

Geog. Area	*Los Angeles '84'*	*Seoul'*	*Barcelona*	*Network*
USA	225.0	302.1	401.00 (+32,7%)	NBC
Australia	10.6	7.0	33.75 (+382%)	Channel 7
CAnada	3.0	3.6	16.50 (+358%)	CTV
Europe	19.8	28.0	90.00 (+221%)	UER
New Zealand	0.975*	1.5*	5.90 (+293%)	TVNZ
Japan	19.0	52.0	62.50 (+20.1%)	NHK
Eastern Europe	2.5	3.0	4.00 (+33%)	OIRT
South America	2.2	2.5	3.50 (+40%)	OT
Puerto Rico	-	-	0.50	Telemundo

* *These figures correspond to the amount paid by the Asian Broadcasting Union.*

' Source: *The Sport Intern*

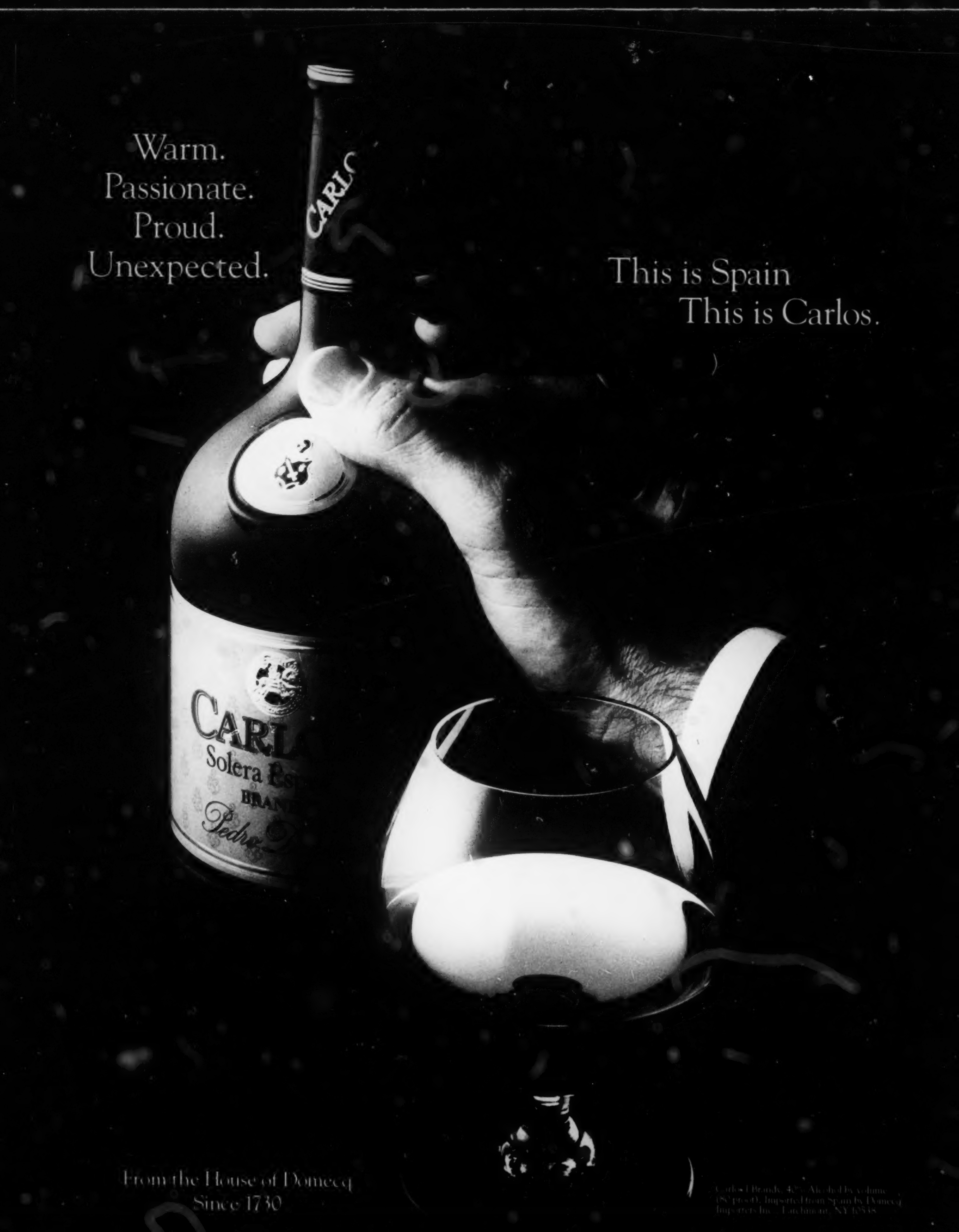
Source: COOB '92

Heading up the NBC team in Barcelona will be NBC Sports President Dick Ebersol and NBC Sports Executive Producer Terry O'Neil. Ebersol and O'Neil each will take on the role of executive producer during the Olympics.

Three years ago, NBC broadcast the 1988 Olympics from Seoul, Korea with 179.5 hours of coverage. The network spent $300 million in order to acquire the rights to the Games, and 75 per cent. of the coverage was televised live to the United States.

Less than two months after the Closing Ceremony in Seoul, NBC learned that it had been awarded the rights to its second consecutive Games. Immediately, preparations began for the Barcelona Olympics, which will feature unprecedented television coverage. As a supplement to NBC's 17 days and 161 hours of coverage, a unique tri-channel pay-per-view package, called the Olympics TripleCast, will be available for the first time in the Games' history.

The TripleCast will be one of the best bargains in sports television. Three pay-per-view channels, appropriately labeled Red, White and Blue, will broadcast a total of 1,080 hours of continuous coverage for the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duration of the Games. Each channel will feature daily segments of twelve hours of live competition followed by twelve hours of replayed events. Viewers who elect to purchase NBC's largest package of 540 original hours of pay-per-view programming will pay only $125 or 23 cents per hour.

Tom Rogers, President of NBC Cable and Business Development, thinks the 1992 games will be the most successful television Olympics in history. "In our previous Olympic coverage, we've sought to meet the needs of two distinct audiences. Some people wanted complete coverage of their favorite sport, and other people wanted to see the memorable moments of all Olympic sports, said Rogers. "The coverage we'll provide in 1992 allows us to tap the market for expanded coverage without affecting traditional coverage — meaning we'll serve both audiences better than ever before."

NBC Sports host Bob Costas will bring the Games home.

NBC's Olympic sales department also has been preparing for the Barcelona Games. The department already has sold approximately 60 per cent of all available commercial time for the network's broadcast of the 1992 Games. As of mid-April, American Isuzu Motors, Bristol-Myers, Coca-Cola Company, Eastman-Kodak, Gatorade, General Electric, General Motors Corporation, J.C. Penney, Kellogg, The McDonald's Corporation, PPG, Reebok, Inc., Texaco, Inc., United Air Lines, VF Corporation and Mars, Inc. are some of the major sponsors who have signed with the network.

NBC officials are excited about what sponsorship of the 1992 Olympics offers their clients. For the duration of the Games, the network will host its sponsors on a cruise ship docked in Barcelona's beautiful harbor. The Royal Viking Sun, the flagship of the Royal Viking Cruise Line, will be docked in Barcelona for 18 days. The ship, located close to where most of the competition will take place, will house four groups of sponsors, a total of 2,600 people in all.

"Sponsors will have numerous sight-seeing and shopping opportunities, and we plan on organizing many other activities — both on and off the ship. And, of course, we will distribute to the sponsors more than 50,000 tickets to Olympic competition," said Zeldin. "Sponsorship of the Olympics means a complete Barcelona experience."

During the Games, NBC will bring that complete Barcelona experience into every American living room. Leading the network's expert team of broadcasters at the Olympics will be Bob Costas, who was recently named host of NBC's prime-time coverage. Costas, who hosted the late-night broadcasts from the Seoul Games three years ago, is a two-time Emmy Award winner, an Outstanding Sports Host and a three-time National Sportscaster of the Year.

Dick Ebersol is enthusiastic about what Costas will bring to the network's coverage of the Games.

"Bob Costas is the pre-eminent sports host of our generation," said Ebnersol. "Everyone recognizes his immense skill at handling the scope of demands the Olympics will present, as well as his ability to add a special personal touch and humor to keep the human aspect in focus. We expect that the Barcelona Olympics will be about individual stories and personalities, and Bob is the perfect choice to be our Olympic storyteller."

NBC boasts of outstanding broadcasters on the pay-per-view side as well. The four co-anchors who have been named so far are familiar to Olympic observers. Don Criqui, Gayle Gardner, Ahmad Rashad and Kathleen Sullivan will host the Barcelona Games pay-per-view broadcast, and each has worked on previous Olympic broadcasts. Ω

RANDEL A. FALCO *is a Senior Vice President of the Olympics and Sports Operations at NBC in New York City. He is a member of the Board of Directors of the Spain-USA Chamber of Commerce.*

The XXV Olympiad and the Modernization of Barcelona

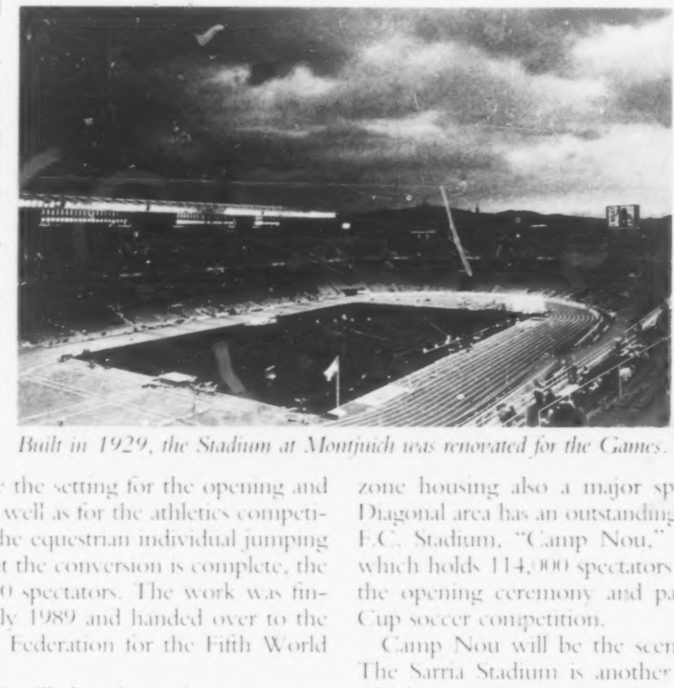
The Barcelona '92 Olympic Games will be organizing 25 competition and 3 demonstration sports events in four different areas within the nucleus of the city. A series of subsites outside Barcelona have been designated for certain events due to their tradition in a particular sport.

The four Olympic areas in Barcelona are interconnected by ring-roads around the city. This will produce a concentration of activities that will assure better services and the recovery of districts which up to now have been less well-endowed.

The Montjuich Area

The zone where most attention will be concentrated during the Games is the Montjuich Area. A total of eleven sports will be played in this area: six with a full range of competitions and the other five comprising just the finals and semifinals.

The Olympic Stadium was built in 1929 on the occasion of the International Exhibition in Barcelona. To prepare the arena for the 1992 Games, the interior was completely converted, while the old facade was conserved as a tribute to the sporting and Olympic spirit of the generations of the city's people.



Built in 1929, the Stadium at Montjuich was renovated for the Games.

The stadium will be the setting for the opening and closing ceremonies, as well as for the athletics competition and the finals of the equestrian individual jumping competition. Now that the conversion is complete, the stands will hold 60,000 spectators. The work was finished at the end of July 1989 and handed over to the International Athletics Federation for the Fifth World Athletics Cup.

The Palau Sant Jordi will also play an important part in the Barcelona '92 Games. This sports hall is now completed and is destined to be a revolutionary piece of architecture, thanks to the advanced techniques used to build it and the types of materials used. The Palau Sant Jordi will house the men's and women's artistic gymnastics competitions, the volleyball semifinals and the finals of handball and volleyball. Its outstanding features are its capacity (17,000 spectators), the spectacular roof (45 m. high), and the fact that after the Games it can be used for all types of indoor sporting competitions and any artistic or cultural event.

The Bernat Picornell swimming pools are also part of the Olympic Ring. The complex will be temporarily enlarged to provide 10,000 additional seats for the Games. Another facility that will form part of Montjuich Olympic site is the Catalan National Institute of Physical Education (INEFC). It will house the future Catalan Sports University. During the Games it will be the venue for the wrestling competitions.

All these venues will be linked by the broad Avinguda del Estadi, a large square, the Placa d'Europa, and the Parc del Migdia, a large wooded area which will be used for the cross country course in the modern pentathlon.

Diagonal Area

Famous for private sports facilities and the large university zone housing also a major sports infrastructure, the Diagonal area has an outstanding feature: The Barcelona F.C. Stadium, "Camp Nou," an impressive building which holds 114,000 spectators and was the setting for the opening ceremony and part of the 1982 World Cup soccer competition.

Camp Nou will be the scene for the soccer finals. The Sarria Stadium is another Diagonal Area venue, which can accommodate 42,000 spectators in comfort. Also within the Diagonal Area is the Palau Blaugrana and the Miniestadi, belonging to the Barcelona Football Club and the Royal Polo Club, where equestrian events will take place.

Vall D'Hebron Area

The sports that will take place in this area are the cycling competition, in the "Vall d'Hebron Municipal Velodrom," the Municipal tennis center, site of the tennis competition, has a court for 8,500 spectators, two for 3,500 and 1,500 and five which will hold around 200.

Parc Del Mar Area

This will be the site of the Olympic Village, the first buildings to be installed opposite the beach. The new construction in this zone reflects the recovery of a vital part of Barcelona, Poble Nou, the birthplace of the Catalan and Spanish industrial revolution in the late Nineteenth century. A large number of industrial workshops and factories were built in this zone, forcing the city for many years to turn its back on the sea. After the Games, the Olympic Village will be converted into a desirable residential area, equipped with a large number of sports facilities which will provide a valuable amenity for the district.

Opposite the Olympic Village the Olympic yacht harbor will be built. This will be the dock for the vessels taking part in the yachting competitions at the 1992 Games. The people taking part in the sailing events will be able to walk from the Olympic Village to the Olympic harbor for the first time ever.

Communications Improvements

In order to reduce traffic problems and improve the fluidity of movement around the city, the Barcelona City Council, the Ministry of Public Works and Town Planning and the Autonomous Government of Catalonia (Generalitat of Catalonia) have reached agreements concerning the construction and completion of the coastal ring road, the Vallvidrera tunnel and other basic routes which make up the general system.

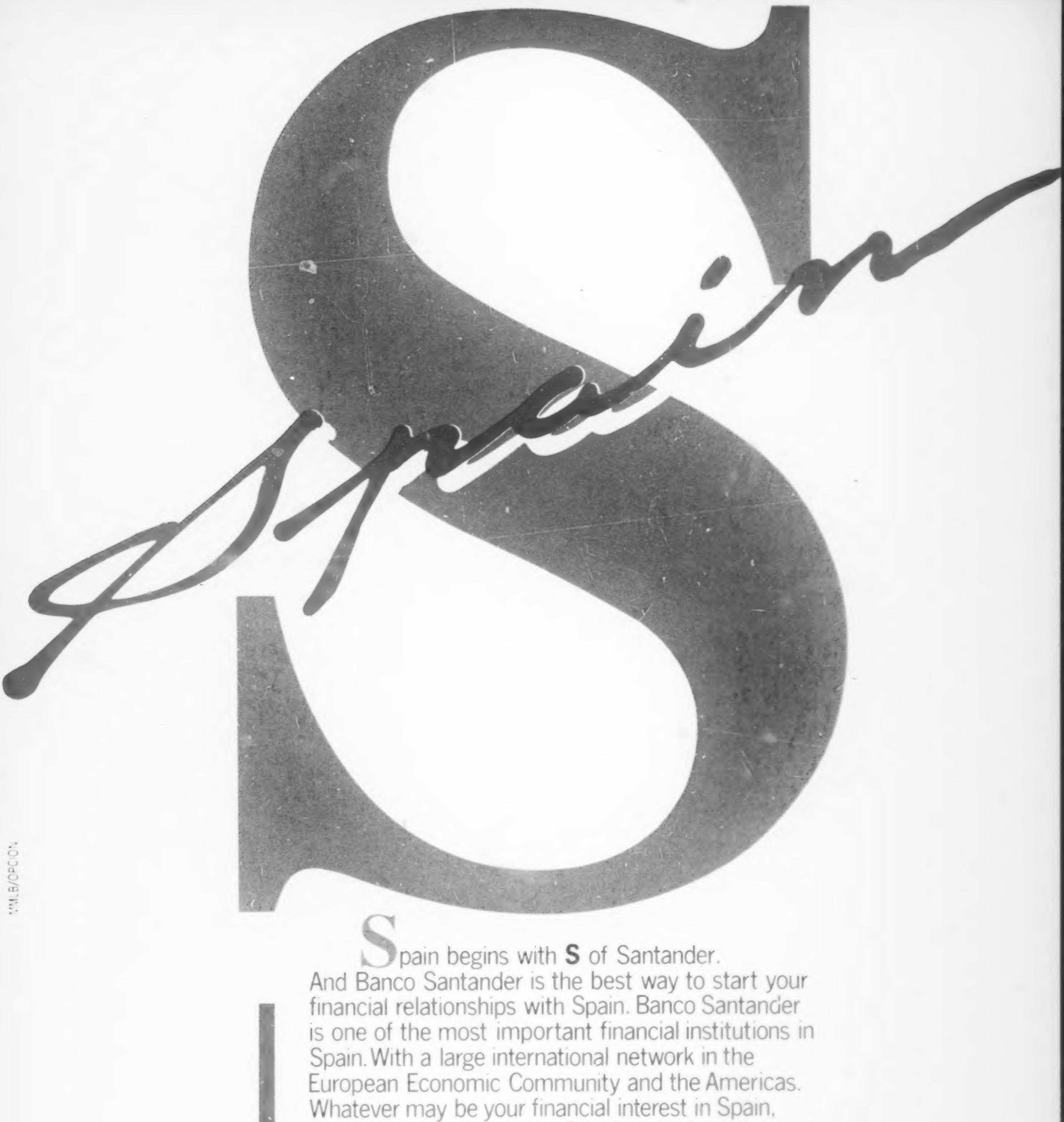
Telefónica's Montjuich Tower will enhance the Olympic telecommunications.

Barcelona International Airport is also being modernized ready in preparation for 1992. The work includes a new terminal for the exclusive use of the Olympic Family, so that it will be possible to deal with heavy passenger traffic during the Games. The modernization of the airport includes construction of new terminals and enlarging and refurbishing of the main passenger terminal, as well as landscaping and improving the access roads. This means that after 1992 the airport will be able to deal with 17 million passengers per year.

A new communications tower is being built in the Serra de Collcerola, and will reach a height of 268 meters. The structure will bring together all the communications systems at present scattered around the hills of the Serra de Meters, and will be a base for mobile services, while facilitating the management of the radio spectrum and serving as a nexus for television communications.

A second telecommunications tower, at a height of 120 meters, is being built in Montjuich. The tower will connect all installations belonging to Telefónica de España. As part of Telefónica's "Plan Barcelona '92," it will provide communication services during the Games. Ω

The Palau Sant Jordi will be the site of the men's and ~~women~~'s artistic gymnastics competitions, the volleyball semifinals and the handball and volleyball finals.



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Meeting the Organizational Challenge of the Olympic Games

A major priority for COOB '92 is to shift gears rapidly, aligning its internal structure and management systems to meet new challenges

BY GUY DUMAS

SPECIAL REPORT

Being awarded the responsibility for the conduct of the Olympic Games is both an honor and an extraordinary challenge. Olympic hosts are faced with the opportunity to demonstrate to the world their tremendous ability in human, social, artistic and economic "savoir faire." Olympic Games also afford unique management and organization challenges:

- A long planning period (3 to 4 years) often affected by uncertainty, financial and material concerns.
- The need to satisfy multiple, divergent and even incompatible requirements (i.e. cost controls vs. meeting the needs of the various Sports Federations).
- The radical transformation of operating modes from a particularly long planning period into intensive implementation over a two-week period with no margin for error.
- The winding down of a gigantic and complex organization and the downsizing of over 30,000 employees.

The euphoria of hosting the Olympic Games is quickly dispelled once the true challenges and practical implications are understood. The graph on the next page illustrates the major concerns as the concept of the Games project begins from close to nothing to a unique and very complex organization some four to five years later.

> **"In spite of all the advance planning you never know whether you have succeeded until the Games are over"**

Pre-Games Period

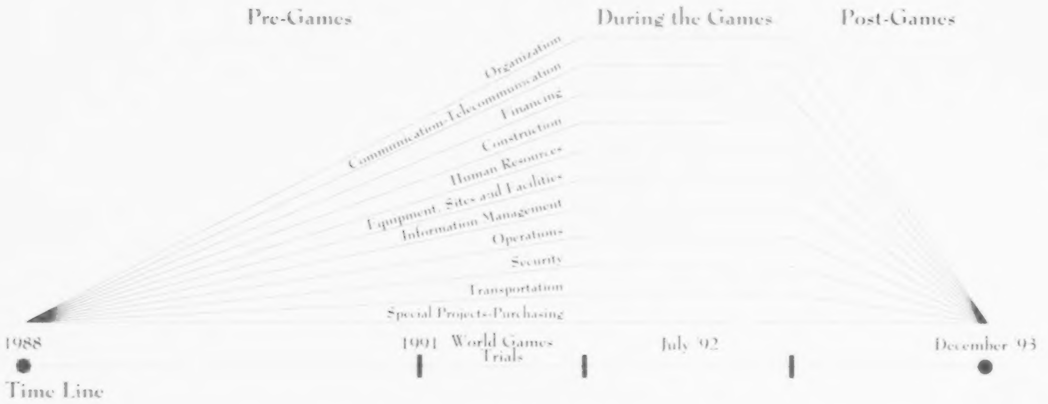
Although the new hosts benefit extensively from the experience of previous Olympic organization, they will face unique problems and challenges. Over four years, the current organizers in Barcelona have been:

- Anticipating the key events and activities leading up to the conduct of the games.
- Establishing the top and middle management infrastructure of COOB '92.
- Evaluating, designing and building the sports facilities.
- Putting in place the necessary communication, information and finance systems as well as gearing up to manage large-scale projects.

As the planning period progressed other priorities surfaced. Now, a year before the games, current COOB organizers are likely very concerned with the following:

- Final site preparations and financing.
- The lodging, transportation and safety of athletes as well as accommodation for millions of visitors.
- Advertising and marketing the Barcelona Games to the world.
- Organization of protocol activities for officials and V.I.P.s.
- Acquisition, selection, training and orientation of over 30,000 employees and volunteers
- Testing and fine tuning for the World Games to be held this summer.

The coming period for the Barcelona organizers is a crucial and very difficult one. As the Games approach, the organizational structure of COOB '92 will need to shift and evolve in order to accommodate new priorities and implementation considerations. This is also



The Evolution of the Olympic Games

Pre-Games
During the Games
Post-Games
Organization
Communication-Telecommunication
Financing
Construction
Human Resources
Equipment, Sites and Facilities
Information Management
Operations
Security
Transportation
Special Projects-Purchasing
1988
1991
World Games Trials
July '92
December '93
Time Line

when the detailed operational requirements and controls are developed to ensure flawless minute-by-minute monitoring of the games. At this point the COOB '92 organizations and employees will begin to feel the tremendous insecurity and stress associated with holding an event of this size while the world watches. We won't know if the Games will be successful until they are over.

During the Games

To use a well-worn cliché, "this is where the rubber meets the road" and when the extensive planning becomes operational. Over 30,000 employees will require training to enable them to perform specific tasks and to adhere to the strict discipline and procedures that will turn them into an effective Games organization. This will be particularly important in Barcelona because of the large number of volunteers who will be more than first-hand spectators. A control function will be in place, á la N.A.S.A., to ensure tight monitoring and coordination of the Games activities. Such a function should not only anticipate problems but also introduce timely corrective actions. Thousands of athletes and on-site spectators will enjoy the Games and their spirit under optimal conditions of health and security. The Barcelona Olympics organization, participants and spectators will have taken the spirit of the Games, their management and organization to new heights and standards.

In the Post Games period, the concerns will relate to the downsizing of personnel, documenting the Games' evolution and activities and resolving any remaining issues or conflicts. This period may extend from six months to a year after the Games.

The Challenge Now

One of the major priorities facing COOB '92's senior managers in Games planning is successful decentralization of the decision-making process, as site- or sport-specific leadership has now become imperative. Concurrently, human resources policies, programs and systems long in the planning must now be implemented so that as staffing is increased from current levels to acquired 30,000-plus personnel, effective and productive working teams are created in a short time. Ω

DR. GUY DUMAS *has consulted to Olympic Committees in Montreal and Los Angeles. He specializes in international management and in the planning and management of large scale projects.*

ORGANIZATIONAL LESSONS LEARNED

Olympic Organizing Committees must:

*

Emphasize practical hands-on planning and avoid over-theorizing the event

*

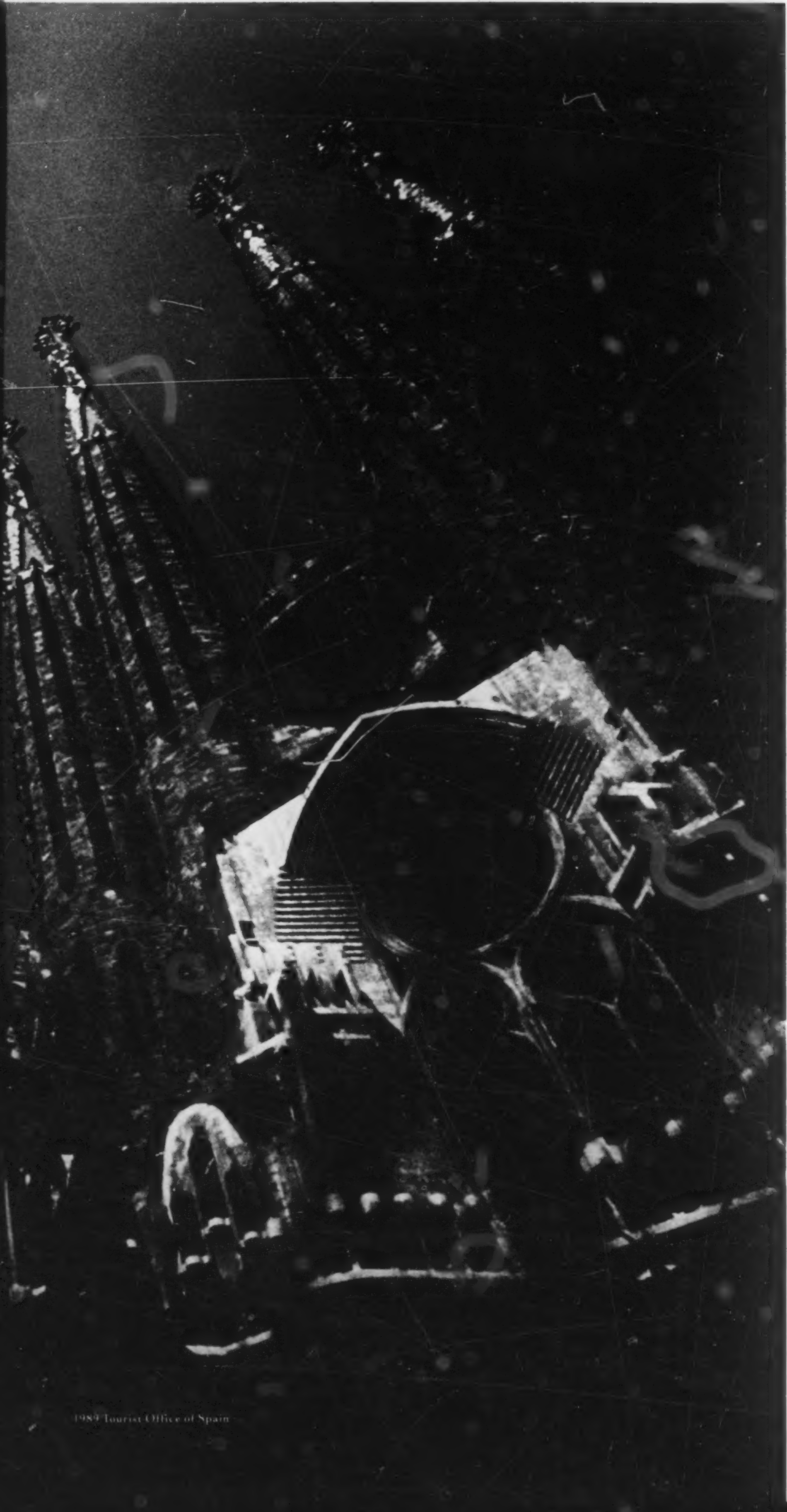
Select and hire the right people

*

Integrate adaptability and responsibility at all levels of theCOOB organization

*

Maintain good employee morale and team spirit



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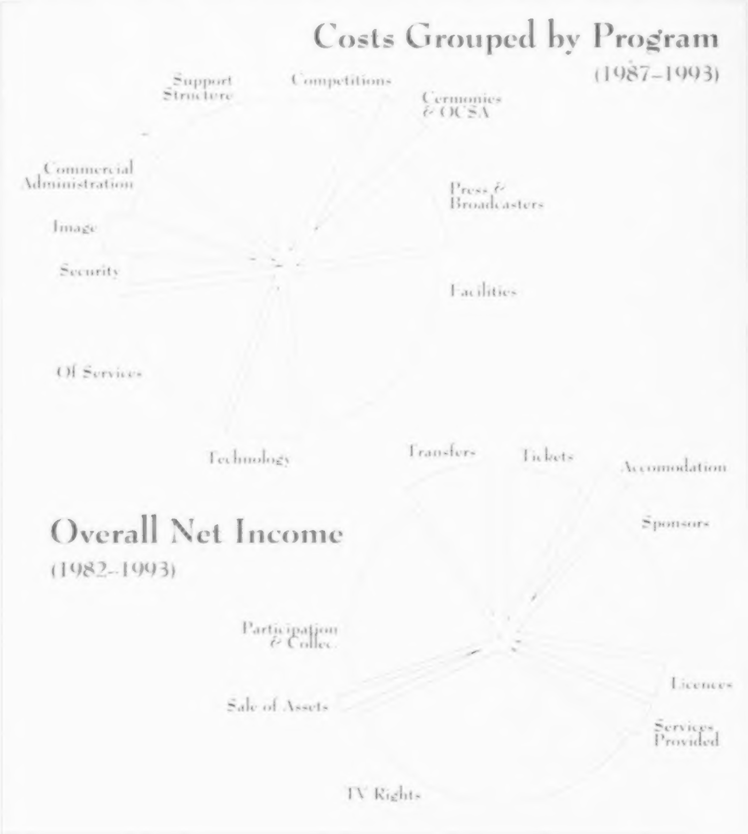
COOB's Financial Resources

Self-financing is the basis of the Barcelona '92 Olympic Organizing Committee (COOB) policy. The main source of income is the sale of the world television rights to broadcast the Games (33.6 per cent), issues of stamps, coins, commemorative medals and lotteries (20.32 per cent) and marketing the corporate symbols (20.22 per cent).

The COOB '92 budget, which was brought up to date at the end of 1990, accounts for 136,881 million pesetas of expenditure and 137,195 million pesetas of income. It was drawn up with reference to the planning strategy established in the COOB '92 Master Plan, which was based on the economic quantification of the projects, with the principle of a balance between income and expenditure as its target. The notable success of the negotiations for the television rights and the marketing plan have ensured that the Barcelona '92 Games will be Games without deficit. The COOB '92 global budget is revised annually, incorporating the information from the contracts signed during the previous financial year.

Another vital point is the design and performance of the Olympic torch route, which will begin in Olympia in Greece and enter Spain through Empúries on board the Spanish Naval training ship, Juan Sebastián Elcano. From there, with the participation of the Olympic volunteers, it will travel through the 17 autonomous communities in recognition of the tremendous help given by institutions, sporting bodies and the general public to the Barcelona '92 Olympic project, and will finally reach Barcelona for the opening of the Games of the XXV Oympiad. Ω

SPECIAL REPORT


Costs Grouped by Program (1987–1993)

Overall Net Income (1982–1993)

Developed at Xerox España S.A., this new video monitor will be introduced in Barcelona during the Olympic Games in 1992. Its touch-screen allows users to access all types of travel, event and price information about the Games. Each information request can be printed out.

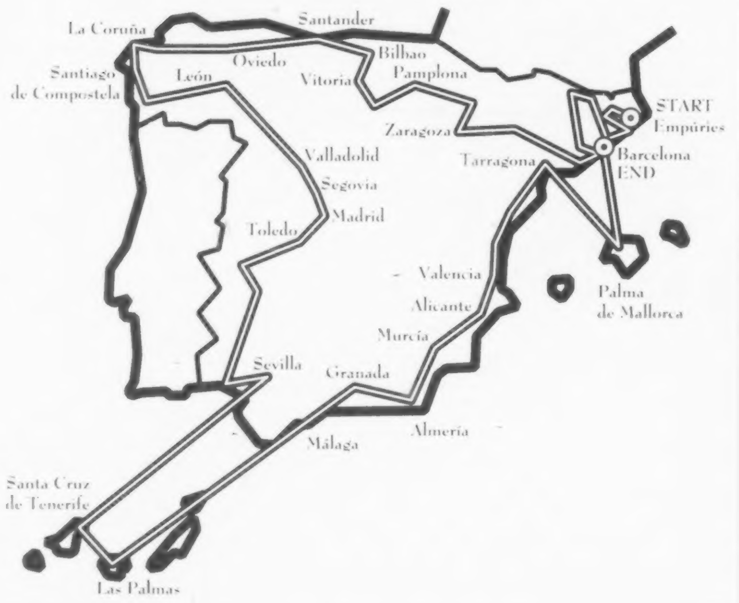
The Journey of the Torch

The Olympic torch will be carried throughout Spain on foot for 32 days from its arrival at Empúries, until it reaches Barcelona after a journey of 4,700 kilometres. The Olympic torch will pass through all the Olympic subsites and through the capitals of all the Spanish Autonomous communities.

The only parts of the journey during which the torch will not be carried on foot will be the journeys to and from the Canary Islands and the Balearic Islands, when it will travel by air and sea respectively. The flame will leave Seville for the Canary Islands where it will arrive at Las Palmas, and thence to Santa Cruz de Tenerife, before resuming its route around peninsular Spain at Málaga. In the Balearics, the flame will arrive at Palma de Mallorca after travelling from Tarragona. From Palma it will travel to Barcelona, where it will arrive on July 24th, 1992. The cost of the operation is now estimated at nearly 1,500 million pesetas, and COOB '92 is hard at work finding a sponsor.

The clear majority of the torchbearers will be Olympic volunteers from Andorra, Portugal, Perpignan, Ceuta, Melilla and each of Spain's autonomous communities, but this group will also include persons representing the disabled, the elderly, the international press and the world of sport. Ω

Route of the Torch Around Spain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START
Empúries
Zaragoza
Barcelona
END
Valladolid
Tarragona
Segovia
Madrid
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Accomodations During the Games

	Olympic Village	*Hotel rooms*	*Rooms Villages*	*Own accomod.*	*Cabins on ships*	*Rooms in private houses*
Olympic Family	220	2300				
Athletes and Team Officials	15,006	276				
Judges and Referees		470	1,126	436		
Media		1,997	5,109	600		300
Guests		1,308		1,378	816	
Observers					370	
Sponsors		2,093			2,535	

Source: COOB '92

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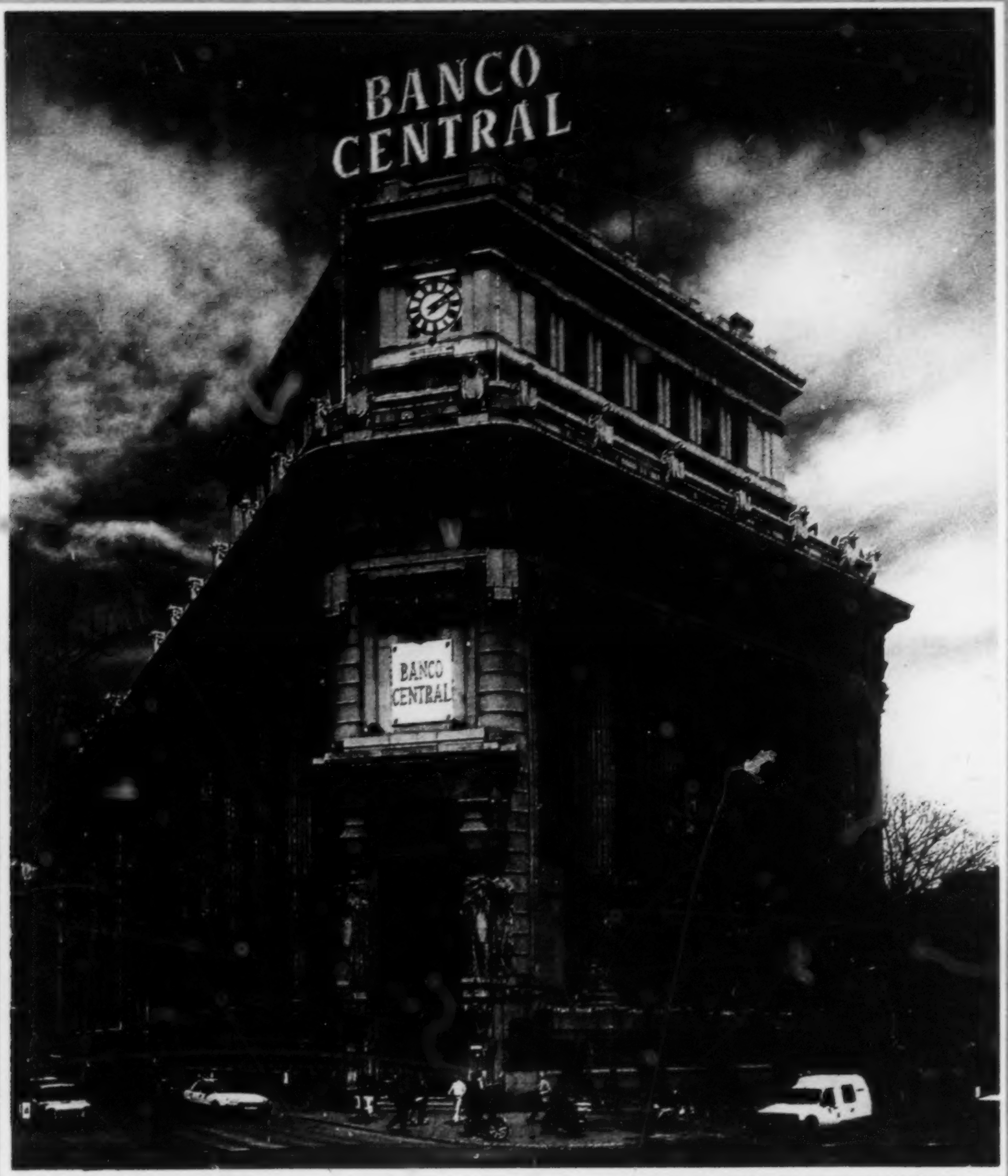

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Brand Equity: An Undermanaged Asset

Active management of a brand name entails quantifying, investing, and utilizing value to maximize the company's overall investment return

BY BLAKE DAVIES & MICHAEL VAN VLECK

Why did Guinness PLC pay $1 billion to purchase Cruz del Campo, Spain's leading brewery, when the recorded value of the purchased assets equalled $470 million? Why did Grand Metropolitan pay 4.8 times book value for Pillsbury Foods? Do the British know something about these companies that the former ownership failed to consider? Probably not. The market value of most companies with strong consumer branded products is typically well in excess of recorded asset values. This answer can largely be explained by each company's brand equity.

The term brand equity has been used by marketing and advertising executives for many years. Put simply, brand equity is the value a branded product receives from having a significant or dominant market share within a particular product category. However, measuring brand equity and knowing how to invest it is another matter.

Spain and Brand Equity

Analyzing and determining brand equity may be applicable to Spanish companies now more than ever. With the flurry of mergers and acquisitions in recent years, and the efforts by some of Spain's leading branded products companies to have their brands become more internationally recognized, understanding brand equity and becoming more sophisticated in managing brand assets is increasingly important for Spanish executives.

Brands are certainly not new to Spain. Tio Pepe, a famous brand of Spanish sherry recognized throughout the world, has a history dating back to 1835. However, placing a value on brands and utilizing brand equity to materially contribute to marketing, strategy, and financial decision-making is not as widely practiced in Spain as in many other countries.

Today, Spanish companies are at a critical juncture in the face of increased competition. Many must decide among these options: 1) to expand internationally; 2) to sell out to a major international company or a larger competitor in their industry; or 3) to try to survive on a local basis and compete against multinational competitors entering the Spanish market. Of the three options, the latter may be the least viable unless a niche strategy is successfully implemented. But whichever strategy is chosen, Spanish consumer products executives must understand brand equity from more than a marketing perspective. This is because the value of their companies, and their ability to expand their products into new markets, will greatly depend on how successfully they can build and manage their products' brand equity.

The Guinness acquisition of Cruz del Campo in February 1991 demonstrates that shareholders of companies with strong brand names can be well rewarded for developing such assets. Guinness paid more than twice Cruz del Campo's annual sales and a substantial premium over the company's recorded shareholders' equity. While certain of Cruz del Campo's real assets were undervalued, what Guinness was paying for — and what most of the premium can be attributed to — was Cruz del Campo's significant brand equity.

Aside from acquisitions, Spanish companies are also employing their branded assets to help determine marketing and corporate planning strategy. As an example, Tabacalera recently decided to change the name of its Nabisco Brands subsidiary in Spain and Portugal, which it acquired from Nabisco, Inc. in 1989, to Royal Brands. Under the terms of the purchase agreement, Tabacalera had until November of this year to decide whether or not to change the name. Tabacalera chose "Royal" because it is a widely recognized name within Spain, and because it will continue to be supported in other European countries under Nabisco's ownership.

Spanish consumer products executives must understand brand equity from more than a marketing perspective

On an international level, Spanish companies such as Freixenet, Codorniu and Chupa Chups have successfully improved the value of their brands by making them more internationally recognized. Freixenet and Codorniu, two of Spain's leading producers of *cava* (Spanish champagne), have undertaken aggressive marketing and advertising campaigns. Today, in the United States and several other countries, Freixenet and Codorniu have become well recognized among their target audience. Chupa Chups, the maker of lollipops, now sells its products in over 90 countries and considers its brand to have reached global stature. More importantly, the company has invested heavily in order to maintain the Chupa Chups brand image as one with a high degree of perceived quality. Furthermore, in order to reinforce the Chupa Chups name as a "parent brand" the company now markets all of its product offerings using the same Chupa Chups logo. Kas, S.A. and Campofrio see international expansion of their products as a solution to growth. Campofrio recently entered into a joint venture in the Dominican Republic and the Phillipines and is also starting an operation in the Soviet Union. Kas sees opportunities to build its brands in France, Mexico and Puerto Rico, and has entered into a joint venture with Pepsico in Spain.

What Is Brand Equity?

Generally, one associates brand equity with a brand name widely recognized and accepted by consumers such as Coca Cola, Mars or Marlboro. The more recognizable the name, the stronger the brand equity. However, behind such a simple explanation lies a more sophisticated definitional framework involving "feelings" and "beliefs" which a brand name evokes in the consumer. These perceptions can strengthen the repetitive purchasing habits of the consumer and enhance the competitive positioning of the product. To more adequately define brand equity, however, it helps to consider it not only from the common viewpoint of consumer presentation (i.e. marketing), but also from the perspective of asset management.

Brand Equity: Asset Management

While the marketing experts may successfully grapple with brand equity and find it to be a useful and applicable tool, those responsible for managing a company's assets, including brand name assets, are in a less fortunate position. In general, management has recognized that to properly control brand names, one must first own an exclusive legal right to them. But this is only part of the management process. Like the management of real and tangible assets, management must not only control the brand name legally, but to achieve the best results, it must actively manage the asset. Active management of a brand name, like that of real estate, entails quantifying its value, investing capital to maintain or enhance its value, utilizing it as collateral to finance other projects, and generally coordinating its use to maximize the company's overall return on investment.

Serious attempts at valuing brand names have only recently been undertaken. This developing interest to quantify brand value as part of the overall management process relates to the escalating costs of developing new brand names, the international expansion of brand names, and the increased pace of international acquisitions with large premiums over book value relating to an acquired company's brand name portfolio. Given the choice of building positions in new markets or acquiring existing brand names with established customer bases, experience shows companies associate less risk with acquiring, even at the expense of high purchase premiums.

> **Brands with high market share relative to competitors tend to have larger margins, more stable cash flows, and greater resilience during economic downturns**

It is interesting to note the current practice of the companies in the United Kingdom which have been most progressive in valuing and capitalizing on their brand names. Interesting because the process seems to be rather inconsistently applied, since only acquired, and not internally-developed, brand names are valued and recorded on the balance sheet. It is common for goodwill to be written off against capital in its entirety in the year of acqusition — thus there exists great motivation to preserve (and record on the balance sheet) the brand value portion of goodwill when a significant premium is paid for another company.

With the exception of a few U.K. companies, there has been a reluctance on the part of companies in most countries to ascribe a value to their brands and record them on the balance sheet. A major obstacle has been the accounting regulatory bodies. In essence, the accounting regulatory bodies have failed to establish appropriate and consistent guidelines for brand valuations and they have failed to recognize that the marketplace clearly appreciates that brand names are identifiable, separable assets that can be measured and whose values can be fairly reported in a company's accounts — leading to a more active management of such assets. Also, while marketing executives are very comfortable with brand equity as an asset, a certain reluctance to place these assets on the balance sheet occurs when these executives realize such an action may adversely impact their return on investment. Given the events occurring in Spain, such as the increased pace of foreign direct investment and the fervent interest of many Spanish companies in expanding internationally, a thorough understanding of brand equity is paramount. Managements of Spanish companies can add value by utilizing more actively their brand equity. Brand names are valuable corporate assets that can be accurately valued, and in many cases used as financing vehicles, and brand equity analysis can materially assist in more effective long-term decision making, in capital allocation decisions and in facilitating a brand focus for management purposes. In a battle of the brands both within and across borders, developing a more sophisticated understanding of brand assets is a requisite for Spanish management into the 1990's and beyond. Ω

BLAKE DAVIES & MICHAEL VAN VLECK *are principals of Fredericks Michael & Co., a New York City merchant banking firm which advises corporations and private family groups who manage or control branded product portfolios, on mergers, acquisitions, divestitures and other corporate finance matters.*

Spanish Investment Climate Bodes Well for Robust Recovery

Spain's strength in currency appreciation, anti-inflation policy and stock market performance combine to make it one of the most attractive arenas for business in Europe

BY ELENA FERNANDEZ-TRAPIELLA

After being hard hit in 1990, the Spanish stock market has been one of the best performers in 1991. Only Sweden has outpaced the revaluation that has pushed Madrid up 24 per cent since the beginning of the year. Yet the market has not recovered its 291.97 pre-war level of August 1990.

Being undervalued compared to other equity markets and having the greatest potential for lower interest rates, Spain looked very appealing. More recently, however, it is losing momentum and drifting back after reaching a high for the year on March 18 (index level of 289.22 up 29.8 per cent since January 1). If the market seems to have seen its big run, what is next?

The important ingredient behind the rally has been that the decline in interest rates may be coming to an end, as they have stabilized in the short term. It is time to take a hard look at the market and be prudent.

Indeed, there are some interesting stocks available at reasonable prices. With the risk of slightly higher inflation as monetary policy is eased, net asset value-based stocks that remain below historical levels and are virtually inflation-proof are particularly attractive. Representative stocks are Viscofan, Hidrocantabrico, Unipapel and Zardoya-Otis.

Over the long term, one should be more optimistic on market potential and economic performance. Further interest rate cuts during the summer and clearer signs of an economic pickup should bring momentum back. After a period of consolidation, the target for the Madrid Stock Exchange Index by year-end is 315 (a 15 per cent revaluation over current levels).

A key factor for U.S. investors will be the peseta/dollar exchange rate evolution. The dollar has been very strong since the beginning of the year, with a 14.7 per cent appreciation against the peseta. The strength of the dollar is a response to the belief that the U.S. economy has bottomed out while other strong currency economies, namely Germany and Japan, could see an extended period of sluggish growth. Analysts believe the U.S. dollar may appreciate somewhat further, especially vs. the European Monetary System (EMS) bloc. If Spain succeeds in reducing real interest rates in the intermediate term, the peseta could lose some of its appeal for foreign capital inflows which are already seeing a slight decrease.

While many economists predict that recession in the U.S. may have reached its trough and that the economy will soon pick up. Europe appears to be in a much earlier stage of economic slowdown. Such slowdowns can be positive for share prices, however, if they reduce inflation and therefore interest rates. In this sense, inflation is likely to fall more in Europe than in the U.S. over the coming year. And although Europe is slowing down, several continental European countries may still post no slower growth than the U.S. on the brink of a recovery.

The U.K. and Sweden

Spain's Macroeconomic Forecasts
(Growth Rates)

	1989	*1990*	*1991E*
Private Consumption	5.5	3.7	2.7
Government Consumption	7.6	4.4	3.0
Fixed Capital Formation	13.7	6.7	5.8
Construction	14.9	10.7	7.0
Capital Goods	12.1	1.2	4.0
Domestic Demand	7.8	4.6	3.5
Exports	2.9	4.2	5.6
Imports	17.0	8.1	7.1
Gross Domestic Product (GDP)	4.8	3.7	3.0
Unit Labor Costs	5.3	6.7	5.2
Unemployment	4.1	2.6	1.6
Government Deficit (% of GDP)	-1.7	-2.3	-0.9
Current Account Deficit (% of GDP)	-2.8	-3.7	-2.8
Inflation (CPI)	6.9	6.5	5.8

Source: KEMPER SECURITIES GROUP

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World Stock Market Indexes

Exchange	Index	3/22/91 Close	1/1/91 Close	% Change
Frankfurt	DAX	1,520.29	1,398.23	+8.73
Hong Kong	HangSeng	3,716.15	3,053.73	+21.70
London	FT-SE 100	2,440.50	2,143.50	+13.90
Madrid	**General Index**	**278.28**	**223.25**	**+24.60**
Milan	Stock Index	1,142.00	100.00	+14.20
New York	Dow Jones Indust.	2,858.91	2,633.66	+8.55
Paris	CAC 40 Index	1,772.14	1,517.93	+16.70
Tokyo	Nikkei Average	26,613.19	23,848.70	+11.60
Zurich	Credit Suisse	542.00	464.10	+16.80

Source: Kemper Securities Group

entered recession ahead of America, but their recovery is expected to take longer. The weak economic performance expected during 1991 and the political pressure on the Conservative government after its poor results in the recent local elections are anticipated to lead to lower interest rates in the U.K. The stubbornness of cost inflation warns against excessive optimism.

Spain has probably seen the bulk of its economic slowdown. Indicators point to a strong pickup by June. After a gradual economic slowdown — prompted by extreme monetary tightness and accentuated by the Gulf conflict — business conditions in Spain recovered in November and December 1990 from the depressed situation of August-October.

A Tighter Fiscal Policy

In 1990, the reduction in the gap between domestic production and demand to just one point (compared to 2.5 in 1989) allowed for better performance in Spain's main areas of economic disequilibrium. Signs of early recovery aroused concerns about inflation and current account deterioration.

In 1991 the control of inflation remained the main goal of economic policy. The objective is to reduce the inflation differential (and ultimately real interest rates) between Spain and the central countries of the EMS (Germany, France and Benelux). Spain's inflation differential from the EC average went down to 0.7 in March (vs. 1.6 in 1990), but still remains quite distant from the EMS bloc (1.5) and especially from Holland (3.2), Germany (3.4) or France (2.7). Thus, the monetary policy was reported to continue restrictively. The most important developments in economic policy in 1991 will be a stronger commitment to controlling wage increases and a tighter fiscal policy.

In February, the relative improvement in inflation and, more importantly, the strong appreciation of the peseta, led the Bank of Spain to cut the intervention rate by 100 basic points to 13.5 per cent, and to lift the compulsory 30 per cent deposit on foreign currency loans. The intervention rate had been already slightly reduced from 14.7 per cent to 14.5 per cent in December.

The Bank of Spain has adamantly declared its intention to maintain current interest rates until further improvement in the CPI figure is evident. However, only extreme pressure on the peseta (already having problems honoring the 6 per cent fluctuation band against the French franc) could force the Bank of Spain to reduce interest rates sooner than expected. Economic activity does not make it advisable. Actually, official economic growth forecasts have been upgraded in the wake of the latest indicators. GDP is expected to grow by 3.0 per cent (vs. 2.8 per cent initially estimated) and fixed capital formation by 5.8 per cent (vs. 5.2 per cent), while the current account deficit should significantly improve, accounting for 2.8 per cent of GDP (vs. 3.5 per cent).

> Madrid's objective is to reduce the inflation differential (and real interest rates) between Spain and the central countries of the EMS

The apparent improvement of the CPI figure can be somewhat deceptive. After 6.5 per cent annual inflation in 1990, prices have been more favorable over the last months. Good CPI in February and March have led the year-to-year to 5.9 per cent, compared to 7 per cent in 1990's same period.

However, underlying inflation (overall inflation minus fresh foods and crude oil) has not followed the favorable path of the General Index (CPI). It remains resilient at an annual rate of 6.5 per cent (6.6 per cent in 1990). A large part of the CPI's improvement over the last months can be attributed to the good behavior of food items and the decline in oil prices as the Gulf war ended. Inflationary pressures continue to be focused on the housing, transport and service sectors. After continued extreme monetary tightness, those sectors remain quite stiff. Perhaps the reasons lie in the lack of competition in the service industry, the need for improved infrastructures for transportation and the scarcity of land for housing.

Another key factor is to abate unit labor cost rises in those industries, breaking the inflationary price-wages spiral. The 5.9 per cent annualized inflation rate achieved in March should prove very beneficial to wage bargaining in the coming months. It gives more credibility to the government's 5 per cent inflation target for 1991, which might be very helpful in achieving a desired average wage increase not above 7 per cent. However, one can expect average wage increases of 7.2 per cent compared to 8.14 per cent in 1990. So far our estimates seem correct, since the average for agreements already signed stands at 7.3 per cent. Ω

Elena Fernandez-Trapiella *is a senior analyst with Banco Santander de Negocios in Madrid and currently works as an institutional salesperson with Kemper Securities Group in New York City.*

[Hispanic Market]

Marketing to Hispanics: The Right Stuff

Predicted to be the fastest growing population segment in the U.S., this group is far from an homogenous audience

BY BIBIANA GRAU & FERNANDO GARCIA

When it comes to advertising, the decision to address the Hispanic market in the United States continues to be a hot topic of discussion and of confusion among marketers.

During the next ten years, the U.S. population will increase by about 22 million. Most of this growth will come from the minority segments of the population. Hispanics will grow by 38.6 per cent, or by 8.5 million people. Whites of European descent will grow by only 3.2 per cent (5.8 million), the black population will increase 14.6 per cent (4.5 million). Asian and other races will grow 40.1 per cent (3.2 million).

> More assimilated and U.S. born Hispanics will react better to an English approach geared to them, but recent arrivals and foreign born Hispanics like to be approached in Spanish

Marketers already witnessing the mass market evolve into many demographic segments know that their survival could depend on how well they can adapt to this new America. The most noticeable change is the presence of the growing Hispanic market, but how to approach it from an advertising point of view? The answer varies according to the source. Spanish radio stations say that Spanish radio is the most efficient medium. Spanish television stations claim they are the most effective vehicle to reach the market. English language print media to Hispanics aim at the upscale segment of the market. Spanish language print media contends that the Hispanic who likes to read prefers to do so in Spanish. Some Hispanic advertising agencies recommend regionalizing a campaign to reach different Hispanic sub-groups based on origin; some recommend doing so based on their degree of assimilation; others argue for a national campaign.

Although there is an upscale Hispanic market that prefers to read in English, there are upscale Hispanics who prefer to be addressed in Spanish. Several large circulation Spanish language newspapers and magazines, as well as "Circulo de Lectores," a successful Spanish book club, prove the point.

Some marketers regionalize their Spanish advertising campaign to increase recognition among Hispanic sub-segments. Others prefer to segment according to the market's degree of assimilation. More assimilated and U.S. born Hispanics will react better to an English approach geared to them, but recent arrivals and foreign-born Hispanics like to be approached in Spanish.

What happens is that much of the discussion overlooks one important point. The estimated 24 million Hispanic people who reside in the United States differ significantly in their reasons for being here, and in their aspirations.

Unlike past immigrant groups, Hispanics have not all arrived from one place nor landed on these shores in a relatively short period of time.

Many recent immigrants are political refugees, who see their residence in the United States as a temporary condition. Many others desire to assimilate into the American mainstream because they want to make this country their permanent place of residence. Still others have been citizens for generations. As such they have different expectations.

As Hispanics, however, they also share many commonalties, the most relevant ones include the Spanish language, family orientation, and religion — about 90 per cent are Catholic.

One marketer can be successful addressing these commonalties while another can do so by addressing differences. Their degree of success will be dictated by the nature of their commitment to the market, because speaking to a person in his or her native language is only the beginning of the process of understanding and fulfilling that person's needs.

Community involvement as proof of cultural acceptance will help a marketer round up marketing approaches towards Hispanics. After all, most of the contributions of the many ethnic groups that have shaped the U.S. society come from their inherited culture. In that sense, Hispanics are no different from any other group that preceded them. Hispanics are here to stay. Accepting them as a distinctive cultural group will allow our society to become enriched with newcomers sharing the same desire as previous immigrants: opportunity. Ω

BIBIANA GRAU & FERNANDO GARCIA *are principals of the New York City advertising firm Grau & Garcia, specializing in the U.S. Hispanic Market.*

[Names in the News]

Alfonso Escámez López

A native of Murcia, Mr. Escámez has been Chairman and CEO of Banco Central since 1973. He is Chairman of CEPSA and Banco Vitalicio as well. Mr. Escámez was appointed Chairman of Banco Central Hispanoamericano, in May, which will become the largest commercial bank in Spain after the merger of Banco Central and Banco Hispano Americano.

José María Amusátegui

A native of Cádiz, Mr. Amusátegui is Chairman and CEO of Banco Hispano Americano. He became Vice Chairman of Telefónica de España in 1985, representing Banco Hispano Americano on the board until 1991 when he was appointed Chairman and CEO. In May, Hispano Americano merged with Banco Central, creating the largest commercial bank in Spain.

Robert H. Helmick

Mr. Helmick is a Des Moines, Iowa, attorney and currently president of the United States Olympic Committee (USOC). Since 1985 he has served as one of the two U.S. members of the International Olympic Committee. Under Mr. Helmick's leadership, the USOC's revenues have tripled, and the USOC has been restructured into a streamlined organization.

Christopher Forbes

Mr. Forbes is Vice Chairman and Corporate Secretary of Forbes Inc. He is responsible for the advertising and promotion departments of *Forbes*, the oldest of America's leading business magazines. Mr. Forbes has greatly enhanced Spain-USA business relations through Forbes Inc.'s involvement with the Quincentennial celebrations of Spanish heritage in the United States.

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EC Directive Reduces Tax Costs of Repatriating Funds From Spanish Subsidiaries

The European Community Directive on parent-subsidiary taxation strives to eliminate double taxation on dividends between companies in different EC countries

BY LYNN C. AMARI

As of January 1, 1992, the tax costs of doing business in the European Community (EC) will drop significantly for many investors. This is the result of several directives which were approved by the Council of Ministers in a move toward tax harmonization in the EC. Particularly helpful to U.S. investors is the directive regarding the common system of taxation of parent companies and subsidiaries located in different Member States (the Directive). This article discusses the provisions of the Directive and summarizes its effect on U.S. investors in Spain and the other Member States of the EC.

The Directive has two principal purposes (1) elimination of double taxation, and (2) elimination of withholding taxes on qualified dividend distributions.

The Directive does not grant relief to all companies doing business in the EC. Rather, it attempts to alleviate the tax burden suffered by corporations qualifying for "parent-subsidiary" status, as defined in the Directive.

It should be noted that the Directive is applicable to dividends paid by a subsidiary in one Member State to a parent company located in another Member State. The Directive will not apply unless both companies are qualified companies located in Member States. Furthermore, the Directive will not affect the taxation of dividends paid to another company within the same Member State.

The Parent-Subsidiary Relationship

The Directive applies only to companies which qualify as a parent company or subsidiary, as those terms are defined in the Directive. The Directive sets forth specific legal, tax and residency criteria which must be satisfied in order for a company to obtain tax relief under the Directive. With regard to Spain, the Directive will apply to a company which operates as a "sociedad anonima," "sociedad comanditaria por acciones," "sociedad de responsibilidad limitada" or any other public law body which operates under private law. The company, however, must also be resident in Spain for Spanish tax purposes, and must be subject to the "impuesro sobres sociedades" (i.e. corporate income tax) without possibility of exemption from that tax. Similar criteria exist for companies resident in other member states.

A Spanish company which satisfies these criteria will be considered a parent company for purposes of the Directive if it owns at least 25 per cent of the capital of a qualifying company in another member state. Conversely, a Spanish company will be considered a subsidiary if it satisfies the above criteria and at least 25 per cent of its capital is owned by a qualifying company in another member state. The Directive provides, however, that member states can bilaterally agree to substitute a "voting rights" test for the minimal capital

> **By eliminating double taxation, the Directive permits a U.S. investor to repatriate a greater amount of profits generated by its Spanish - and other EC subsidiaries**

requirement. In addition, a member state can refuse to grant relief under the Directive when the required shareholding has not been maintained for two years.

It appears, at this time, that the stock of the subsidiary must be held directly, not indirectly. For example, a Spanish company will not be considered a parent company if it owns only 20 per cent of the capital of a company directly and the remaining 80 per cent indirectly through another wholly-owned subsidiary. However, this could be modified when the individual Member States implement the domestic laws necessary to carry out the Directive.

Illustration of the Withholding Tax Provisions of the EC Tax Directive

A U.S. Company owns the shares in its 100 per cent Spanish Subsidiary through a French Holding Company. The U.S. Company wants to repatriate $100 of profit from the Spanish Subsidiary

	Before 1992	*After 1992*
Profit available for distribution by Spanish subsidiary	$100	$100
Less: Spanish withholding tax on dividend to French Holding Company	(10)	0
Dividend received by French Holding Company	0	$100
Less: French withholding tax on dividend to the U.S. Company	0	(5)
Spanish profits received by the U.S. Company	$ 90	$ 95

After the Directive is in effect, the U.S. Company would receive, in the example, an additional $5 ($95-$90) of the profit generated by the Spanish Subsidiary.

Elimination of Double Taxation

Double taxation occurs when a company whose profits have been subject to tax in its own country subsequently distributes those profits to its parent company—only to have the distribution again be subject to tax in the parent company's country of residence. The Directive offers member states one of two alternatives for eliminating potential double taxation in a situation where a qualifying parent-subsidiary relationship exists. The Directive requires the country where the parent company is resident to either: (1) refrain from taxing the distribution received, or; (2) tax the distribution, but permit a tax credit for the "underlying" taxes, i.e. income taxes paid by the subsidiary on the profits distributed.

The Directive also opens up new routes for repatriating income and shifting funds throughout the EC, and provides U.S. investors with alternatives to traditional European holding company structures

The Directive contemplates that the rules will be effective until such time as there is a common system of taxation in the EC. Since complete tax harmonization may take years to achieve, the Directive offers much needed relief.

By eliminating double taxation, the Directive permits a U.S. investor to repatriate a greater amount of profits generated by its Spanish and other EC subsidiaries. Since less of these profits will be used to satisfy foreign tax liabilities, more funds will be available to be brought back to the U.S., or invested elsewhere. The Directive also opens up new routes for repatriating income and shifting funds throughout the EC, and provides U.S. investors with alternatives to traditional European holding company structures.

Elimination of Withholding Taxes

The Directive further provides that dividends paid by a subsidiary to its parent company will be exempt from withholding tax. While the zero rate of withholding will be phased in over time in some member states (i.e. Germany, Portugal and Greece), the zero rate will be effective immediately in Spain in 1992.

The elimination of dividend withholding taxes can result in major tax savings to U.S. investors, who often incur significant withholding tax costs when repatriating funds through a European holding company. These costs essentially disappear under the Directive.

In summary, the Directive can have a significant impact on U.S. taxpayers investing in Spain and other Member States. The Directive will permit U.S. investors to structure their EC business holdings without having to rely on tax treaty networks to reduce withholding taxes. The Directive offers U.S. investors a degree of certainty in their tax planning which cannot be obtained by reliance on tax treaty networks since these networks are always subject to change. The Directive allows greater flexibility in structuring EC holding companies to achieve a structure which is compatible for management and tax purposes. As a result, U.S. investors have more options for transferring profits to and from their Spanish subsidiaries.

The Directive, when coupled with the recently implemented U.S.-Spain tax treaty, makes Spain an attractive business partner. Ω

LYNN AMARI *is a manager in the International Tax Services group of Price Waterhouse in New York.*

Madrid-New York Sister City Meeting Held at the UN

The first meeting of the Madrid Advisory Committee of the Sister City Program of the City of New York took place on April 11 at the United Nations, marking the beginning of exchange activities for the year 91/92. The Madrid Committee was honored to have H.E. Miguel de Aldasoro, Consul General of Spain, as one of the guest speakers. Other speakers were Thomas O. Enders, former U.N. Ambassador to Spain and currently the Managing Director for Solomon Brothers, and Nadine B. Hack, President of the Sister City Program of New York. Yamila C. Mendez, Madrid Program Director, presided.

The Advisory Committee is composed of an enthusiastic group of prominent business people, scholars, city officials and others involved in the dissemination of Spanish culture in New York.

Ms. Virginia Flores Godoy has been named the new Chairperson of the Advisory Committee. Among her many accomplishments, Ms. Godoy has over a decade of experience in the fields of International Public Relations and Governmental Communications promoting greater Miami, where she served as the Chief of Protocol overlooking the Sister City Program. She lived in Madrid for 20 years.

During this first meeting, Ms. Mendez described the proposed programs. These include a student exchange which on an annual alternating basis allows a group of high school students to live with their Madrid/New York counterparts and share family and school life with each student and his/her family; a cultural week of Madrid in New York which started back in 1979; participating in the 1992 Quincentennial celebration; a girl's basketball tournament which will also operate on an alternating basis, one year in New York and one year in Madrid; technical exchanges between public administrators of both cities in such areas as traffic control, environmental protection, transportation, social services, civil protection, fire control and consumer affairs; as well as various business missions.

The Sister City Program creates mutually beneficial exchanges of cultural, economic, educational, technical, and sports information and practices, between New York and its five "sister cities" (other cities are Tokyo, Cairo, Santo Domingo and Beijing.) It is an integral part of New York City's foreign relations and has the active and enthusiastic support of Mayor David Dinkins. New sister cities are being developed in Eastern Europe, Africa and the Caribbean.

The program is incorporated as a not-for-profit organization and all program activities are funded privately. There are three Program Directors who overlook the different exchanges: Ms. Mendez is responsible for Latin America, the Caribbean, Canada and Western Europe; Peter M. Sherman oversees all of Asia, the Soviet Union and Eastern Europe, and Wyounda V. Haynes directs the programs in Africa, the Mediterranean, the Middle East and the South Pacific. Ω

Spanish Olives & Olive Oil Promotion Campaign Launched

Foods from Spain has started a $4 million dollar campaign which involves public relations, promotions, research and for the first time, TV advertising. This program will target both consumers and trade of the metropolitan areas of New York and Miami, from June to December 1991.

The financing of this campaign is the result of a major breakthrough putting together the efforts of the Ices (Spanish Foreign Trade Institute), Acemesa (Spanish association of exporters of olives), 5 private olive oil brands members of Asoliva (the Spanish olive oil association), the Autonomous Government of Andalucia and the Chamber of Commerce of Seville.

Combining olives and olive oil in the same campaign around the "Best under the Sun" slogan, will more than double our impact in the market

This program promotes Spanish green olive varieties ranging from the small "manzanillas" to the big "Queens" or "Gorda" and involve 5 major Spanish olive oil brands: Giralda, Sensat, Carbonell, Musa and Goya. Combining in the same campaign olives and olive oil around the "Best under the Sun" slogan, will more than double our impact in the market.

The olive oil and olive markets in the U.S. are in different situations:- while Spanish olives mean 90% of stagnant consumption market, Spanish olive oils have reached a 22% share in the amazing growth of theU.S. olive oil market.

Taking into account these facts, this campaign aims to increase consumption of spanish green olives by showing new usages and cooking suggestions created by Sheila Lukins, famous cookbook author, and spokesperson for the campaign. Concerning olive oil, the objectives are to communicate the high quality and rich taste of Spanish olive oils.

The TV campaign is the optimal tool to create awareness and communicate the quality of these two traditional Spanish products.

CBS, ABC, NBC, and FOX will broadcast the "Olives and Olive Oils from Spain" TV commercials. Don't miss them! Ω

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Banco Atlántico

United States Limits Deductibility of Interest by U.S. Subsidiaries to Their Spanish Parent Companies

BY JOHN C. JOST

Prior to the new Spain-U.S. income tax treaty going into effect, a Spanish parent company was subject to a 30 per cent U.S. withholding tax on interest received from its U.S. subsidiary. The subsidiary, however, could deduct this interest payment in calculating its U.S. federal income tax and thereby reduce its tax (under the current corporate federal income tax rate) by $0.34 for each $1.00 of interest paid.

The Spain-U.S. income tax treaty has now reduced the 30 per cent withholding tax to 10 per cent in most cases. Consequently, the treaty gives Spanish parent companies an incentive to "strip" earnings from their U.S. subsidiaries in the form of interest payments, instead of dividends.

For example, for every $1.00 in earnings remitted by the subsidiary to the parent in the form of interest, the subsidiary would receive a tax deduction worth $0.34, while the parent would pay a withholding tax of only $0.10. In contrast, if the earnings had been remitted in the form of dividends, the subsidiary would have received no tax deduction (in the U.S., dividends are not deductible by the paying corporation), but the parent wold have had to pay a withholding tax of $0.10.

Recent changes in U.S. federal income tax laws have eliminated this incentive by restricting the subsidiary's ability to deduct all of the interest paid to its foreign parent. In general, these restrictions apply to interest paid on loans that were made or renegotiated after July 10, 1989. They apply to all U.S. subsidiaries and their foreign parent companies, and not just to U.S. subsidiaries of Spanish companies.

New Restrictions

A U.S. borrower's ability to deduct interest paid to a foreign lender may now be limited if (1) the treaty withholding tax rate that applies to interest payments is less than the 30 per cent rate that applies in the absence of a treaty, (2) the borrower is "related" to its lender, and (3) the borrower's debt to equity ratio exceeds 1.5/1. In the case of Spanish lenders, the first requirement is satisfied because the Spain-U.S. income tax treaty reduces the U.S. withholding tax rate on interest to at least 10 per cent.

The "related" requirement is satisfied if either party controls directly or indirectly more than 50 per cent of the value of the other party. The term "related" would apply not only to a U.S. subsidiary of a Spanish parent, but also to a Spanish subsidiary of a U.S. parent and would limit the extent to which a Spanish subsidiary could strip profits from its U.S. parent. In addition, special rules apply to partnerships, foreign corporations controlled by U.S. shareholders and certain "back-to-back" loans and similar arrangements. The scope of this article, however, is limited to a discussion of U.S. taxpayers that are subsidiaries of Spanish parent companies.

In determining whether the borrower's debt to equity ratio exceeds 1.5/1, the "debt" component equals the borrower's total indebtedness, including obligations to both related and unrelated lenders. The "equity" component equals the sum of the borrower's cash plus the value of all other assets (as calculated for tax purposes), minus total indebtedness. Therefore, if the subsidiary paid $100 for equipment and, as a result of depreciation, that equipment now has a U.S. tax basis of only $50, the "equity" component would equal $50, regardless of the current fair market value of the equipment.

> **If a U.S. subsidiary has both a debt/equity ratio in excess of 1.5/1 and a positive "excess interest expense" amount, then it can not deduct interest paid to its Spanish parent**

Example 1. In Year 1, U.S. subsidiary Subco has debt of $1,400 and a net asset value (i.e., total assets minus debt) of $1,000. Subco earned adjusted taxable income of $100 and incurred net interest expenses of $60 (which included $15 paid to Subco's Spanish parent Spanco, which owns 100 per cent of Subco). Subco may deduct all of its net interest expense (including all of the interest paid to Spanco) because its debt equity ratio is less than 1.5/1 (i.e., 1,400/1,000).

If Subco's debt/equity ratio had exceeded, 1.5/1, Subco would have been barred from deducting that portion of interest paid to Spanco that falls within the definition of "disqualified interest." The amount disallowed as a deduction, however, may not exceed Subco's "excess interest expense." In other words, even if Subco's debt/equity ratio were to exceed 1.5/1, Subco's ability to deduct interest paid to Spanco would not be impaired unless Subco's "excess interest expense" were a positive number.

The term "excess interest expense" is defined as (1) the subsidiary's "net interest expense," minus (2) the sum of its "excess limitation carryforward" plus 50 per cent of its "adjusted taxable income." "Net interest expense" equals the subsidiary's total interest expense (including interest paid to both related and unrelated lenders), minus its total interest income. The "adjusted taxable income" equals the subsidiary's taxable income calculated without regard to interest income. "Net interest expense" equals the subsidiary's total interest expense (including interest paid to both related and unrelated lenders), minus its total interest income. The "adjusted taxable income" equals the subsidiary's taxable income calculated without regard to interest income or deductions for interest expense, operating losses, depreciation, amortization or depletion. Finally, the subsidiary's "excess limitation carryforward" equals (1) 50 per cent of its previous year's adjusted taxable income, minus (2) its previous year's net interest expense.

If Subco were to have both a debt equity ratio in excess of 1.5/1 and a positive "excess interest expense" amount, then it could not deduct all of its interest paid to Spanco. Instead, Subco would be barred from deducting that portion of interest paid to Spanco that falls within the definition of "disqualified interest." "Disqualified interest" is that portion of interest paid to a foreign related party that escapes the normal 30 per cent withholding tax that applies in the absence of a treaty. Mathematically, the disqualified interest equals (1) the interest paid to a foreign related party, (2) multiplied by the difference between 30 per cent and the treaty rate, and (3) divided by 30 per cent. Remember, however, that the amount of "disqualified interest" that the subsidiary is prohibited from deducting is capped by its "excess interest expense."

Example 2. In year 3, Subco's debt/equity ratio again exceeds the 1.5/1 threshold. Net interest expense remains at $160 (including $50 paid to Spanco.) Adjusted taxable income, however, fell to $150. Subco has an excess limitation carryforward of $40 from Year 2. Despite the advantage of having an excess limitation carryforward from Year 2, Subco has excess interest expense of $45 (i.e., 160 - [40 + (50 per cent x 150)] = 45).

Because Subco has excess interest expense, we must now determine what part of Subco's $50 interest payment to Spanco is disqualified interest. Assuming that the applicable Spain-U.S. income tax treaty withholding rate is 10 per cent, only $33 of Subco's $50 in interest paid to Spanco is disqualified interest (i.e., 50 x [(30 per cent - 10 per cent)] = 33). Since the excess interest expense (45) exceeds the disqualified interest, it is disallowed as a deduction in calculating Subco's U.S. federal taxable income. If Subco had instead paid $70 in interest to Spanco (and not $50), the disqualified interest would equal $47. Of that amount only $45 would be disallowed as a deduction because the amount disallowed may not exceed the amount of the excess interest expense (which is $45 in this example).

New U.S. regulations discourage tax-motivated related-party interest payments

Recommendations

The definitions of "disqualified interest" and "excess interest expense" are very complicated and are exacerbated by the fact that the U.S. government has not yet issued regulations that fully describe these concepts. Nevertheless, their overall impact is to discourage tax-motivated loans between a "thinly-capitalized" U.S. borrower and a related foreign lender. In determining whether to disallow such related-party interest payments, the U.S. government focuses on whether the U.S. borrower is over-leveraged (that is, its debt/equity ratio exceeds 1.5/1) and the amount of cash flow available to service the borrower's debt (that is, 50 per cent of "adjusted taxable income").

Accordingly, these restrictions can be especially troublesome for a subsidiary in an industry that is traditionally highly leveraged or a subsidiary whose asset value for tax purposes is lower than fair market value. The latter situation frequently arises when (1) the company was acquired through a stock purchase (as opposed to an asset purchase) and the U.S. tax basis of the acquired company's assets are less than their fair market value, or (2) the company has depreciated its assets below their market value.

As the examples demonstrate, the restrictions on the deductibility of related party interest create a variety of hidden costs and incentives for Spanish companies that want to maximize their U.S. subsidiary's ability to remit profits in the form of tax-deductible interest payment. For example, Spanish companies that invest in the United States by purchasing an existing business might want to structure the transaction to maximize the tax value of the business' assets. Similarly, a U.S. subsidiary mighty maximize the deductibility of its disqualified interest by carefully monitoring and managing changes to its debt/equity ratio.

Finally, Spanish companies might wish to explore the feasibility of using other types of deductible payments by their subsidiaries as an alternative mechanism for stripping out profits. These alternatives might include royalties and fees paid by the subsidiary for intellectual property, technical services and know-how supplies by the Spanish parent. Ω

JOHN JOST *is an attorney at the international corporate law firm Dow Lohnes Albertson based in Washington D.C.*

Banco Hispano Americano and Banco Central to Merge

Banco Central S.A. and Banco Hispano Americano S.A. signed a merger agreement on May 14 to become Spain's largest private bank. The move represents an effort to keep pace with Spain's increasingly competitive banking sector. Together, the banks will have combined assets of approximately $90 billion in assets, and 39,000 employees at 4600 branch offices, according to *The Wall Street Journal*. Combined profit in 1990 totaled 83.7 billion pesetas. The 75-year-old Mr. Alfonso Escámez López of Banco Central will be the new chairman until no later than December 31, 1992. Upon his retirement, Banco Hispano's Chairman, 59-year-old José María Amusátegui will take the helm. Ω

Six State-Run Banks to Merge

According to Finance Minister Carlos Solchaga, the largest state-run bank, the Corporación Bancaria Española, will be created by pooling together all of the state's financial institutions. The new group will consist of Banco Exterior de España (only 62 per cent state-owned), savings bank Caja Postal, mortgage bank Banco de Credito industrial, Instituto Credito Local, which finances municipalities, and Banco Credito Agricola, Spain's agricultural concern. As reported in *The Wall Street Journal*, the Corporación's assets are estimated at over $75 million.

The idea of grouping together these public financial institutions stems from the foreseen synergies of an alliance and is seen as helping the overall competitiveness of the Spanish banks in a unified European market. One example of the benefits will be Banco Hipotecario's new ability to access the nationwide networks of Banco Exterior and Caja Postal. The bank will enjoy a top credit rating due to its status as a state institution. Ω

J.G. Stanley & Co. and the Quincentennial

The New York-based J.G. Stanley & Company is operating as the exclusive licensing and marketing agency for the Sociedad Estatal Quinto Centenario (SEQC) in Madrid and the Spain '92 Foundation in Washington, D.C. for the 1992 Columbus Quincentennial Celebration in the United States and Canada.

The Cornerstone of the SEQC celebration is the Tour of the Caravels and accompanying festivals. It is estimated that between 40,000 and 50,000 spectators will visit the ships each weekday and 60,000 to 70,000 daily visitors are expected on weekends as the tour sails through 12 cities in the United States during 1992. This and other SEQC programs are a result of the direct participation of the SEQC, not merely endorsements, and they guarantee that the SEQC celebration and licensing programs will be "The Global Event of the Century." Ω

Repsol First Quarter Profits Rise 20 per cent

The Spanish state-owned oil company Repsol S.A. said net income for the first quarter of 1991 jumped 20 per cent over the same period last year boosted by drop in crude oil costs. Repsol is also well-positioned to benefit from a steady increase in the use of natural gas, a key element of the Spanish government's pending energy plan. Operating profit from Repsol's liquid propane and natural gas activities climbed 31 per cent to five billion pesetas in the first quarter, bolstered by an 80 per cent increase in natural gas activities. Ω

Tax Overhaul in Spain

The Spanish Parliament Approved a sweeping overhaul of the tax system, effective January 1, 1992, to put the country on a more equal footing with its European Community partners. The measure lowers income taxes and raises sales taxes. Spanish income taxes are much higher than in other EC nations, prompting concern about funds flight when capital movements are liberalized next year.

The law eases the tax burden in the highest bracket, on incomes exceeding 8.24 million pesetas ($77,629), to 53 per cent in 1992 and to 50 per cent in 1993 from 56 per cent now, and on the low end to 18 per cent from 20 per cent in 1993. But the value-added tax, a form of sales tax now averaging 12 per cent, rises to an average of 14 per cent and tax-evasion penalties are stiffened.

Capital gains will continue to be taxed as ordinary income. But the law exempts certain long-term capital gains on sales of property and securities, which may encourage privately held companies-about 80 per cent of Spain's total-to list shareholdings. Ω

Banesto Sells Stakes

Banco Español de Credito (Banesto) will sell $469 million worth of stakes in its industrial arm and its insurance unit to Assurances Generales de France (AGF). Banesto said also that AGF will acquire about 4 per cent of the bank's industrial holding company, La Corporación. The bank originally planned to sell 26 per cent of its 76 per cent share in La Corporación, in a public offering, but the plan was dropped after Iraq's invasion of Kuwait threw stock markets into turmoil.

In a separate transaction, La Corporación plans to sell its Petromed oil refining and chemical unit to the British Petroleum Company for about $770 million. The acquisition would be one of the biggest single investments ever made by BP in continental Europe, giving it about 10 per cent of Spain's retail petrol outlets. According to the Financial Times, Mr. Mario Conde said that the sale would bring a capital gain of 14 billion pesetas. Ω

Goya introduces Tapas

Call them appetizers or hors d'oeuvres or even elegant Spanish noshes, *tapas* are convivial eating. Invented in the taverns of Spain to provoke palate and conversation over a leisurely drink before dinner.

The drink's usually sherry. But it can be anything. It's the *tapas* that make the excitment. A great bar in Madrid could have as many as 70. Even the smallest bar no fewer than five, or six. But whatever they serve, it has verve.

Fortunately for *aficionados* here, a *tapas'* spread as varied as any in Spain is as close as your Goya Section. Look at our picture: Goya chick peas, seasoned & sauteed with onions; Goya mussels, shrimps & capers, marinated in Goya wine vinegar & extra-virgin Spanish olive oil; Goya pimientos & garlic, drizzled with that classic oil; cider-poached Goya *chorizos* & apples; and Goya *empànadillas*, little spicy meat-filled turnovers (frozen, ready to heat). And Goya's wonderful giant scalloped crackers.

Goya has all kinds of makings for *tapas*, from great green olives & tuna & artichoke hearts to octopus & codfish fritter mix. Explore them. And next time it's your place for drinks, you can introduce *tapas*. By you. And by Goya. "Oh Boy-a!"

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Meet them at the Goya Section. Invite them over for drinks.

Want more Tapas ideas? Send stamped self-addressed envelope to Goya, Tapas, Secaucus NJ 07094.

Iberia and Turespaña Launch Promotional Drive

Turespaña and Iberia Airlines have launched a $10 million three-year joint promotional campaign with American Express Travel Related Services to create special services for Americans visiting Spain. "About one million Americans visited Spain in 1990, generating tourism revenues of over $1 million," said Claudio Aranzadi, Spain's Minister for Industry, Trade and Tourism. He also stated that "we estimate over 50 per cent of tourists who have visited Spain return because of their positive experiences."

As part of the "Spain, so much to si" program, the American Express Card has been named the official Card of Tourism in Spain. Iberia Airlines has also expanded its non-stop service from New York, Los Angeles and Miami to Madrid, and beginning June 17, offers five weekly non-stops from New York to Barcelona. Ω

BRA USA Sets Sweepstakes

BRA USA has organized a Spain '92 Sweepstakes to promote a special image for its 18/10 stainless steel cookware made in Barcelona by Concepto BRA S.A. The promotion is being introduced to major department stores and gourmet retailers this fall and will be open to Bra product consumers who turn in their entries by April 1. The final drawing will be held on April 15.

"Go For The Gold" is the timely slogan for Bra sweepstakes, whose premiere Oro Inox cookware collection has a gold-accented line. The lucky winner will receive a round trip for two to the Barcelona Olympic Games, including hotel, breakfasts, four tickets for two to arena events plus city and museum tours. Ω

Banco de Sabadell Promueve el Sector Téxtil

El Banco de Sabadell, dentro del llamado "Proyecto USA" ha puesto su show-room (espacio de exhibición) de Nueva York a disposición de aquellas empresas del sector téxtil que deseen promocionar sus productos en el mercado de los Estados Unidos. El show-room se halla instalado en el"Fashion Atrium", el cual es un gran recinto de exposición de moda y accesorios, al que acuden regularmente tanto aquellas firmas estadounidenses e internacionales que desean dar a conocer sus últimas creaciones, como las empresas compradoras, americanas y del resto del mundo, interesadas en conocer o adquirir las últimas novedades presentadas. Además de su show-room en Nueva York, el banco de Sabadell dispone de otra área de exposición en Londres. Ω

Bank of Spain Lowers Interest Rate

Due to an upward pressure on the peseta and a rigid anti-inflation policy, the Bank of Spain has recently lowered the interbank interest rate (the rate at which banks loan to other banks) to 12.75 percent from 13.50 percent.

In December 1990, the rate was at 14.70 per cent, reflecting a continuing downward trend in the price of money. The decision was based on the recent 8.1 per cent rise in Spain's liquid money supply measure Activos Liquidos en Manos del Publico (ALP). Ω

Remaining Capital Controls Lifted in Spain

Madrid has recently removed a deposit requirement on foreign-currency borrowings by Spanish companies. The measures effectively remove exchange controls in Spain far ahead of the European Community's late 1992 deadline.

Also, Spaniards may open bank accounts in foreign currencies. Heavy inflows of foreign currency had recently swollen Spain's currency reserves to record levels of more than $58 billion December 31. Under the new measures, Spanish residents can for the first time operate bank accounts in any convertible currency. In addition, Madrid is relaxing curbs on Spanish banks lending to non-resident borrowers in convertible pestas. These changes are expected to ease upward pressure on the peseta without necessitating interest-rate cuts, which could heat up household consumption and inflation.Ω

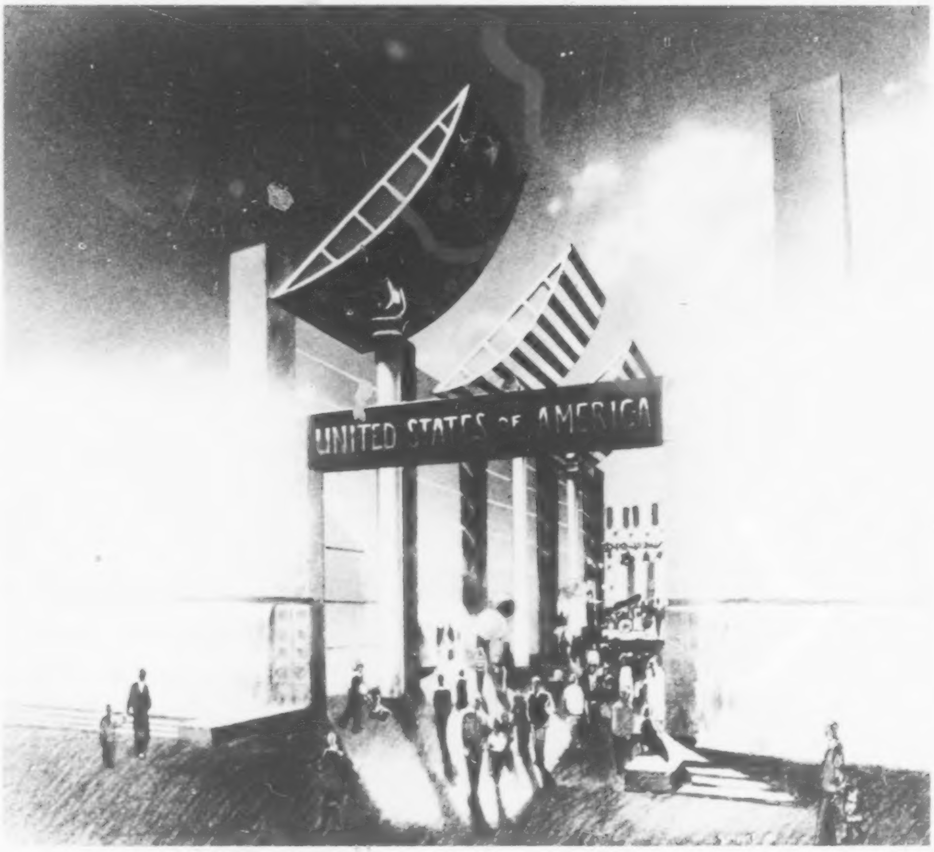
Iberduero to Merge with Hidrola

Spain's two largest privately-owned electrical utilities have announced the creation of a joint holding company as a preliminary move to joining forces.

The companies account for more than 40 per cent of Spain's generating capacity. According to the *Financial Times*, their shares are currently valued at more than $5 billion and the takeover of Hidrola by Iberduero would be the biggest ever on the Madrid bourse. The move is seen as a clear signal by the groups that they did not want to owe the government—which fixes the value of the tax incentives in a merger—any "political favors." The reorganization takes place under the terms of a national energy plan which is expected to go before parliment in July. Hidrola has a long-term debt-to-equity ratio 50 per cent higher than Iberduero's. Ω

Seville World's Fair: 'The Age of Discoveries'

In a letter to the U.S. Commissioner General for Seville, President Bush said, "When the nations of the world gather in Spain to mark the 500th anniversary of Columbus' voyage to the New World, I am confident that the United States will have a presence that reflects the energy and genius of its people. Americans have long been driven by the desire to explore, to innovate, and to excel, and we have been richly blessed with the freedom to do so. I know that, through the combined efforts of the public and private sectors, the United States Pavilion will be a source of pride for all our citizens."



Artist's rendering of the U.S. pavilion for the World's Fair in Seville

The six-month Exhibition opens on April 20 and closes on Columbus Day, October 12, 1992. The United States is one of 110 nations participating in the world's fair, which is expected to draw more than 20 million visitors.

The U.S. Pavilion at Seville Expo '92 will represent a unique and ambitious partnership between the public and private sectors that will present to the world the very best that America has to offer. Exhibitors and performers plan to reflect the overall theme of Expo, "The Age of Discoveries," as well as "Discovery," the theme of the U.S. Pavilion.

Corporations, associations, states, cities, non-profit organizations and individuals can take part in this historic event through sponsorship of exhibits, cultural and sports programs, as well as special events days, and support through cash and in-kind contributions.

The design of the U.S. Pavilion at the World's Fair in Seville 1992 will include two important architectural elements: At the entrance there will be a water fall, symbolizing Columbus' historic ocean voyage across the Atlantic, and above the pavilion, three shade sails representing the three ships in Columbus' fleet — the Niña, the Pinta and the Santa Maria.

The structure will consist of an 18,000 square foot, two-story building and two geodesic domes. A Video Teleconference Center, the Commissioner General's Lounge, the Pavilion's exhibits, and a restaurant will be located in the building. The domes will house the 70mm theme film, produced by General Motors, and a perfor[illegible]nter.

A $7.[illegible] contract for construction of the Pavilion was awarded this May to Entrecanales y Tavora of Madrid, one of the top ten construction firms in Spain.

Construction work at the site will begin in June, under the management of the U.S. Naval Facilities Engineering Command, and is scheduled for completion by March 1992.

The Pavilion is being funded with $13 million in federal money that will be augmented by private sector sponsorship and contributions. In May 1990, Congress authorized the U.S. Information Agency, the federal agency responsible for international expositions, to reprogram the $13 million from appropriated funds.

Through live entertainment, the diversity of American culture and the fabric of American life will be presented. Expo's visitors will experience "Americana" through more than 2,000 hours of programming, including but not limited to: classical music, country western music, blue grass music, fiddling, clog dancing, square dancing, gospel music, jazz, rock music, modern dance, break dancing, musical comedy and performance art — a rich and varied mix of performing arts from all geographic regions of the United States.

Performers will consist of professional, semi-professional and community groups — the best America has to offer.

Some of the programming being discussed includes:

The American Waterways Wind Orchestra, an international troupe of 50 musicians, which performs an eclectic repertoire of light classical, jazz and contemporary music from its unique floating arts vessel, Point Counterpoint II. With a retractable acoustical shell and a 75-foot stage, the ship has sailed to numerous European port cities. Talks are under way to allow the vessel to moor near the pavilion.

The New World Symphony, a recently created orchestra based in Florida, will represent the New World to the 1492 celebration.

The Washington Cathedral Choral Society, one of America's leading and most prestigious choral groups, is planning a tour of Spain in 1992, with possible performances in the Cathedrals of Toledo, Seville and Leon, as well as at Expo '92. Ω

For further information on Expo '92 contact: the Office of the United States Commissioner General for Seville Expo '92, U.S. Information Agency, Washington, D.C. 20547 Telephone: (202) 401-7162

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U.S. Pavilion Sponsor Update

GENERAL MOTORS has recently signed on as a major sponsor of the U.S. Pavilion. G.M. will create the main attraction for the Pavilion: a wide-screen film that will highlight the energy and genius of the American people, from leadership in personal mobility to achieving harmony with the environment. It will also demonstrate the U.S. commitment to the nations of the European community.

G.M. expects the film to be a "must-see" feature of Expo '92, in keeping with U.S. leadership in past world's fairs and with G.M.'s top attractions at past world exhibitions. This includes the New York World's Fairs of 1939 and 1964 and, most recently, the widely acclaimed "Spirit Lodge" presentation at Expo '86 in Vancouver. Created by the award-winning Bob Rogers & Co., the film will be seen by 36,000 visitors daily.

In addition to sponsoring the movie, G.M. will create an exhibit on "cars of the future." They will also provide the official cars of the U.S. Pavilion.

As reported in the Spring issue of *Business Link*, organizations that have already joined the U.S. Pavilion as sponsors and donors include:

AMERICAN PLYWOOD ASSOCIATION — building a "House of the Future."

THE COCA-COLA COMPANY — sponsoring the Commissioner General's VIP Lounge.

SEA-LAND SERVICE, INC. — providing all required ocean transportation.

U.S. SPRINT — creating a video teleconference center in the Pavilion.

The U.S. Pavilion Trust

The U.S. Pavilion Trust is a special fund set up to ensure that the United States presence in Seville is second to none. Contributions to the Trust will be used to enhance U.S. Pavilion operations for the duration of the Expo, enabling the Pavilion to present a continuous mix of special events, exhibits, entertainers and performances.

Business and community leaders who contribute personal, corporate, foundation or association funds of $100,000 or more are designated Trustees of the United States Pavilion. To date, the following organizations have been named Trustees:

AMERICAN EXPRESS TRAVEL RELATED SERVICES;

MERRILL LYNCH & CO. INC.; and

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA).

Trustees will receive numerous special benefits throughout the exposition. A special day will be designated in honor of each member of the Pavilion Trust. In appreciation of their outstanding commitment, Trustees' names will be engraved on the U.S. Pavilion's Donor Wall, prominently located on the U.S. Pavilion grounds. Trustees will also benefit from use of a special version of the U.S. Pavilion logo in their advertising and promotional literature and will receive invitations to special U.S. Pavilion activities and events. Trustees will enjoy special access to the Commissioner General's Lounge and the Video Teleconference center, as well as protocol assistance and facilitated access to Expo's international and corporate pavilions.

Raíces: In Search of One's Hispanic Heritage

For corporations looking to get involved in 1992, "Raíces" remains one of the Quincentennial's (as yet) undiscovered gems. If enough support can be found, up to 90 per cent of U.S. Hispanics will be able to explore their Spanish origins and heritage through this bilingual interactive video program.

Upon providing the appropriate surname, participants will find out such things as: where in Spain the name first originated, how it came about, and what noteworthy people and places have held the same name. Users will also learn where in the U.S. others with the same last name immigrated. Installed on computers with video disc players and touch sensitive screens, the program will be placed in museums, libraries, festivals and possible commercial venues across the United States in 1992.

Already funded in part by the Spain '92 Foundation and the Sociedad Estatal Quinto Centenario, "Raíces" is currently seeking additional sponsors for equipment, logistics, and above all, genealogical research. Eleven investigated surnames would account for 25 per cent of

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the Hispanic population; 500 would represent 90 per cent. Current research efforts need to be speeded up to ensure the broadest possible exploration of this country's rich Hispanic heritage. Ω

A promotional video prepared by Carlos Ramirez, Inc., will be shown to interested corporations beginning in June, 1991.

Forbes to Promote Quincentennial

Corporate America and the general public are about to discover the Spain-USA Quincentennial. Two of the nation's top business magazines, *Forbes Magazine* and *American Heritage* (both of which belong to the Forbes editorial group), have joined the Spain '92 Foundation in preparing a special advertorial section entitled "The Spanish Imprint: A 500-Year Presence in America." Appearing in the fall of 1991, this special report will highlight the strong ties between Spain and the United States while offering internationally oriented Spanish and American companies vital recognition and access to high-level executives.

Written by Henry Wiencek, the "Spanish Imprint" focuses on Spain's role in the formation and development of the United States. Spain's cultural and human contributions receive particular mention in this salute to 500 years of Spain in America.

The "Spanish Imprint" will leave its mark on a wide and influential audience. Carried in the Oct. 21 issue of *Forbes* and the Nov. 1 issue of *American Heritage*, the report will reach 3.2 million readers, including many of America's most important decision makers. It is estimated, for example, that 470,000 of the readers will be executive presidents. As an added bonus, the *Forbes* issue will also include the popular "*Forbes* 400 Annual Survey," a profile of the nation's wealthiest people.

Spanish and American companies are being encouraged to take advantage of the special report's advertising potential and submit materials before the August 2 insertion deadline. To ensure as enthusiastic a response as possible, the Spain '92 Foundation and *Forbes* have co-hosted two large-scale receptions, one in the United States and the other in Spain.

The first reception was held on March 22 at the Forbes Gallery in New York City, where prominent members of the business community gathered to view a video promoting the project. A glossy bilingual brochure provided additional information to a receptive audience.

The second reception, held in Madrid on April 17th, achieved even greater success. The organizers sought to introduce the Spain '92 Foundation to Spanish corporations and to inform these Spanish companies about the transatlantic opportunities opened up for them by the "Spanish Imprint." The reception accomplished all this and, in the process, became one of the year's most talked-about social gatherings. A wide range of political, cultural and economic leaders thronged the Fernán Núñez Palace to support the Spain-USA Quincentennial and, of course, to see and be seen. The hosts (Christopher and Timothy Forbes and Rafael Mazarrasa, president of the Spain '92 Foundation) met with such notables as Alvaro Domecq, the Duchess of Santoña and Rafael Trenor (the creator of the Armillary Sphere). In addition to gaining important contacts and Quincentennial recruits, the evening generated excellent publicity; glowing articles appeared in such prominent papers as *ABC*, *El Pais* and *Tiempo*.

The Caravelle Bronze Collection

By reflecting on their shared past, "The Spanish Imprint: A 500-Year Presence in America" will help draw Spain and the United States even closer together in the future. Ω

Medallions Commemorate Quincentennial Celebration

The Sociedad Estatal Quinto Centenario has licensed Paramount Coins International, Ltd. as exclusive producer of the Official Caravel Collections Program of commemorative medallions.

These medallions, designed by the world-renowned engravers of the Spanish Mint, honor the 500th Anniversary of Columbus' voyages with three separate collections in gold, silver and bronze.

The Caravel Bronze Collection is a popularly priced four-piece set cast in bronze. The Caravel Silver Collection is a five-piece proof set in sterling silver, which will surely satisfy collectors of all types. The designs include depictions of: Christopher Columbus, The Three Caravels, The Santa Maria, Isabella - Queen of Castile, and The Catholic Kings. The reverse side of all these medallions are engraved with the official symbol of the Quincentennial program surrounded by the legend "Quinto Centenario" and the dates "1492-1992". Each set is attractively boxed, and single medallion design orders are available. Ω

These medallions are perfect items for corporate gift and incentive programs. For more information, please contact Norman Rea at J.G. Stanley & Co., the exclusive distributor for the official commemorative medallions: 141 E. 44th Street, 10th Floor, New York, NY 10017 or phone (212) 867-7859.

Wines of Spain: Back to the Future

Technological innovation allows Spanish wine to compete on the basis of quality

BY GERRY DAWES

In 1972, Donn Pohren, an American who had lived in Spain for decades and is the premier authority on flamenco, published his idiosyncratic classic, *Adventures in Taste: The Wines and Folk Food of Spain.* For years, Pohren periodically wandered through Spain's 4,000,000 acres of vineyard lands, the most extensive acreage under wine in any country in the world. He would duck into a village bar, ask for a glass of the local vino, then casually ask who made the best wine in town. On many occasions, Pohren would soon be offered samples of several different wines as one local vintner after another vied to impress on this foreigner that his wine was the best in the village.

At that time, in many villages of different regions in Spain, the grapes were still crushed by treading, then fermented in open stone or cement vats, and sometimes aged in less-than-meticulously-cared-for barrels. Sometimes the result was a flawed wine that often tasted good with the local food, but was not stable enough to "travel" and not the stuff to thrill sophisticated wine connoisseurs. Still, Donn Pohren swore by the inherent quality of many of these Spanish wines.

Gonzalez-Bypass, bodega for Tio Pepe fino sherry.

What Pohren tasted in those wines while researching his book twenty years ago was the MATERIA PRIMA (raw material), the exceptional juice from grapes which often came from old vines, whose average yield of wine per acre was less than that allowed by the best appellations of Burgundy and Bordeaux. Yet, even backward winemaking techniques could not keep the underlying quality from showing through: Pohren's Spanish wines were diamonds in the rough.

In the years since Donn Pohren wrote his book, there have been exciting changes which augur for the promise and profit of both Spain's traditional wines and those of emerging wine regions. Spain's entrance into the European Economic Community (EEC) posed a special challenge to Spanish wine producers: should they merely add quantity to the gallonage of the European wine "lake" or compete on a quality level? Spain opted for quality.

Indeed, the time was right for a reassessment of both the domestic an export markets, an upgrading of winemaking technology, and a consistent quality control for Spanish wines. Emile Peynaud, Alexis Lichine and other consultants from France advised winemakers in the Rioja, Ribera del Duero, and Rueda regions. Oenologists from Rioja, Penedés, and Navarra shared their expertise with winemakers in other regions while young Spanish winemakers trained in Bordeaux, Burgundy, and California.

New wine books, periodicals, and gourmet journals proliferated. Among them are important books about Spain's future in wine by Miguel Torres, Jr., the talented Catalán wine maestro, and Jose Penin, Spain's top wine authority. Wine seminars, tastings and competitions began to be conducted on a regular basis. Wine societies formed, and a growing, increasingly affluent, Spanish middle class began to appreciate the wines of its own country.

During the past decade, investments in new winemaking technology, better barrels, experiments with new grape varietals, and the replanting of vineyards in some areas have had a geometric effect on the quality of Spanish wines. The grapes from the best wine areas of Spain — Rioja, Jerez, Cataluña, Ribera de Duero, Navarra, Rueda, and in many up and coming regions — are proving that they can produce wines that stand alongside the best of France, Italy and California. The Temparanillo of the Rioja and Ribera del Duero, for example, is soon to be recognized as a grape capable of producing wines rivaling Cabernet Sauvignon, Merlot, or Pinot Noir.

Visitors to Spain in the years to come will drink ever more refined versions of Spanish wines, which are coming to be recognized, even by the toughest wine critics, as among the finest in the world, something that will come as no surprise to Donn Pohren. Ω

GERRY DAWES *is one of the authors of the* Penguin Guide to Spain 1991. *He regularly escorts wine and food tours to Spain. For any further information contact Mr. Dawes at (914) 357-6093.*

Improvisación Frente a Rigor Informativo

El periodismo económico español es un milagro diario

POR CRISTINA BUHIGAS

Cuando se habla de periodismo económico en diferentes paises se habla de lo mismo en cuanto a contenidos, pero no en lo que se refiere a métodos de trabajo. Los periodistas de todas partes quieren trabajar con rigor y objetividad; pero las diferencias entre unos paises y otros no las marcan los profesionales, sino las empresas, y las empresas están condicionadas por sus posibilidades económicas.

En Estados Unidos, la menos importante de las publicaciones de contenido económico tiene una lista superior a la del primer diario económico español. La tirada condiciona la publicidad y, por lo tanto la inversión que se realiza en la infraestructura humana y material que se necesita para sacar un periódico a la calle.

> El periodismo económico español cae frecuentemente en la publicación de rumores que muy raramente se confirman

El periodismo económico ha experimentado una gran expansión en España en los últimos años. Cada vez que se pone en marcha una nueva publicación se habla de que va a ser la definitiva, la que aplicará unos métodos de trabajo rigurosos, la que comprobará las noticias en varias fuentes y la que contará con especialistas para cada sector informativo.

Luego, la realidad de la economía interna de las empresas lleva a las publicaciones a contar con plantillas reducidas, con un alto porcentaje de periodistas recién titulados e inexpertos, que deben trabajar contra reloj para conseguir hacer un periódico a diario.

La práctica habitual en los periódicos norteamericanos es la de comprobar en varias fuentes cada noticia. Además cuando un periodista investiga una información puede dedicarse a ello todo el tiempo que sea necesario, hasta que la historia este completa.

En España esto sucede a veces; pero generalmente los directores de las publicaciones, en su afán por tener por tener a diario una portada competitiva, presionan a los profesionales para que escriban sólo sobre indicios. Asi el periodismo económico español cae frecuentemente en la publicación de rumores que muy raramente se confirman.

Sobre todo, esto ocurre en la información de empresas, la más dificil, por la falta de transparencia de los empresarios españoles, que temen a los periodistas y creen que es mejor callar y que se publiquen noticias inexactas, a contar la verdad ellos mismos.

De todas formas hay algo diferente y positivo en el periodismo español, sea o no especializado en economía, que no sucede en el estadounidense. En España hay una gran capacidad de improvisación. A los profesionales no nos gusta caer en el tópico pero tenemos que reconocer que hay una alta dosis de quijotismo en la forma en que hacemos los periódicos en España.

Aunque tampoco todo es genialidad improvisadora, en los últimos diez años se han ido formando una serie de periodistas económicos, con un grado de especialización muy alta. Ahora sólo falta lo fundamental: que aumenten los lectores de prensa en España, no solo los de prensa económica, sino los de toda clase de prensa, asi las empresas editoras serán más fuertes y podrán invertir en formar a sus periodistas y en tener unas plantillas suficientes, que garanticen el rigor informativo.

Quizá entonces los periodistas sigamos quejandonos, ya no de falta de rigor y de medios, sino de que se haya perdido la frescura de la improvisación y la genialidad que ahora recorre las redaciones españolas. Ω

CRISTINA BUHIGAS *es Redactora de la Gaceta de los Negocios en Madrid.*

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Spain as a Business Partner: 1992 and Beyond

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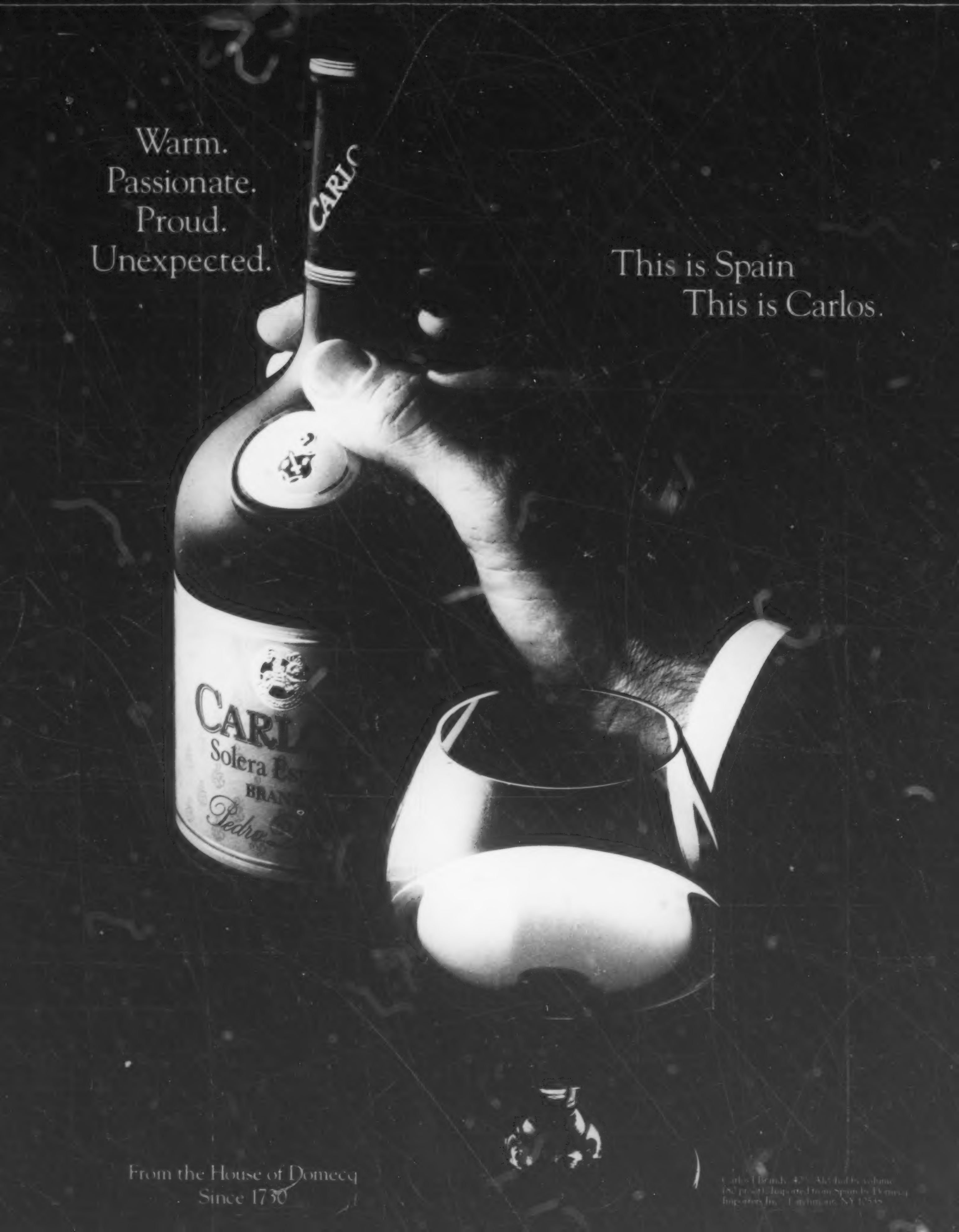
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The Spain-USA Chamber of Commerce

The Spain-USA Chamber of Commerce is a private non-profit American membership organization devoted to enhancing and developing trade and investment relations between Spain and the United States and Canada. Founded by entrepreneurs in 1959 in New York as a service to the Spain-USA business community, the Chamber draws from its corporate contacts, its relations with official institutions and its associations with other trade organizations to offer marketing services in four areas:

Business Development

The Chamber actively expands its membership base by targeting U.S.-based medium-size and large companies that want to establish or reinforce business relations with Spain. In this effort, a highly successful seminar about business opportunities in Spain entitled "Spain Today: The Emerging Platform for Business with Europe" was organized in New York City in September 1990.

Promotional Events

Promotional galas and conferences are organized to explore specific marketing and media opportunities in Spain-USA relations. Among the activities in 1991, the Chamber promoted the Barcelona '92 Olympics among U.S. business communities. Events included a business breakfast, press conference, the public debut of an 80-foot-tall Cobi, the Olympic mascot, above the entrance of the Plaza Hotel in New York and a gala dinner in honor of the 1992 Summer Olympic Games in Barcelona.

Cooperation Agreements with Spain

The Chamber has agreements with such regions in Spain as the Canary Islands, Asturias, Murcia, and Valencia, as well as with the Madrid Chamber of Commerce and IFEMA, Madrid's trade fair organization. Each region and institution has a U.S. representative based at the Chamber who works closely with U.S. companies.

Media Communications

The Chamber offers direct media access to a highly targeted audience of senior private and public sector decision-makers in Spain and the U.S. through the circulation of its quarterly financial and trade magazine, ***The Business Link****, its biannual* ***Link Directory*** *and its monthly* ***Link Letter,*** *to be launched in January, 1992.*

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In This Issue:

[Special Report **02**] From the financial legal, tax and trade perspectives, this quarter's Special Report explains why Spain and its autonomous regions are poised, now more than ever, to be an attractive platform for business with Europe. "Spain as a Business Partner: 1992 and Beyond" features the professional insights of experts in the Spain-USA business community and provides exclusive market overviews of the country's most dynamic regions. A collection of articles is complemented by reference lists, trade contacts and statistics, making this Special Report the most comprehensive one ever assembled by our magazine.

[U.S. Business **16**] Spanish companies aiming to acquire joint venture interests in the U.S. will find in our U.S. Business section an in-depth financial discussion of fundamental valuation methods.

[Spain Survey **25**] An analysis of telecommunications in Spain is our feature topic in the Spain Survey section. Pointing to Spain's need to close the technological gap with its European neighbors, the article explains how legislative reforms and unprecedented investment have set the stage for making this sector competitive.

—ALEXANDER ROBARTS
Editor-in-Chief

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Beyond 1992

Many historical developments will attract the spotlight of world media attention to Spain in 1992. It will test if 15 years of steady effort and progressive change have upgraded the Spanish democratic kingdom to meet the standards expected from any leading country in the world.

But while the organizing committees of the Olympic Games and the Universal Exposition polish details for next year's grand showcase, growing concern spreads among Spanish politicians and the business community about the challenge beyond 1992: a competitive domestic economy.

Fueled by impressive growth over the last few years and the investments related to the 1992 Olympics and the Universal Exposition, today's Spain is most receptive to new products and ventures with international companies willing to expand their operations in Europe.

Almost 15,000 U.S. and Canadian companies with annual revenues of $10 million and over have been approached by our Chamber as having outstanding opportunities to initiate or further develop their business with Spain. Thousands of smaller companies with state-of-the-art technology and advanced systems and know-how will also be in a unique position to profit from such a dynamic and creative economy.

We hope you will find this issue's special report on doing business with Spain useful and insightful. Furthermore, we expect it to encourage your company to find out more about how to take advantage of these opportunities. The Chamber and their sponsors are prepared to initiate a productive relationship while providing you with the additional information you may need. Do not hesitate to contact the professionals who have the expertise and know the facts.

It is our job to help you explore business opportunities with Spain. And your success will be our highest reward.

— MIGUEL SEBASTIA

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[The Chamber]

The 32nd Anniversary Gala

Chamber Salutes the 1992 Olympic Games; Organizes the Public Debut of 'COBI,' the Olympic Games Mascot

The Spain-USA Chamber of Commerce had the honor of commemorating the Barcelona Summer Olympics at its Annual Dinner Gala held on Friday, June 21st, at the Plaza Hotel. Mr. Pedro Fontana, General Director of Operations of the Organizing Olympic Committee of Barcelona '92 (COOB '92), was the guest of honor and Mr. Christopher Forbes of *Forbes* Magazine was the Gala Chairman.

In the grand ballroom of New York's Plaza Hotel, guests enjoyed a gala evening.

CHAMBER SPONSORS PRESS CONFERENCE — On June 21st, the Spain-USA Chamber of Commerce organized a press conference and breakfast with Mr. Pedro Fontana, General Director of Operations of the Organizing Olympic Committee of Barcelona '92. The main topic addressed was the 1992 Olympic Games. In attendance were representatives of the press from Spain and the U.S. (L. to R Pedro Fontana, Miguel Sebastiá, Ricardo Jové and Adolfo Suarez).

Earlier in the morning there was a breakfast organized in honor of Mr. Fontana which was assisted by personalities from New York's business circle. This was followed by a brief official presentation of the Olympic mascot of Barcelona '92. For the first time, Cobi, as the mascot is called, was officially presented before the American public. A thirty-foot inflated Cobi appeared on top of the flag terrace in the main entrance of the Plaza Hotel, reigning over Fifth Avenue. Present at its "debut" were Mr. Trump, the owner of the Plaza Hotel, Mr. Pedro Fontana (COOB '92), Mr. Ricardo Jové, the Chamber's President, and Mr. Miguel

The breakfast honoring Mr. Fontana at right, (L to R) Adolfo Suarez and Felix Valdes.

Sebastiá, the Chamber's Executive Director.

That evening the Gala dinner took place at the Plaza's Grand Ballroom. On the eve of its 32nd Anniversary, the Gala promoted the city of Barcelona in honor of the 1992 Olympic Games. Mr. Christopher Forbes, Vice-President of Forbes Magazines, presided over the Executive Committee that gathered diplomats and other personalities. Mr. Ricardo Jové and other Chamber dignitaries received the Gala's honor guest, Mr. Pedro Fontana.

The Gala Dinner began with a cocktail reception

Cobi, the adorable Olympic mascot, is seen at the Plaza Hotel in New York with Pedro Fontana.

Official Presentation of Cobi at the Plaza Hotel with Donald Trump, Ricardo Jové at right with Pedro Fontana .

The guests received gifts supplied by the Barcelona 1992 Olympic Committee and other sponsors during the gala evening.

La Tuna, *a traditional musical group, serenaded the audience.*

The Garota, *a folk group from Cataluña, sang "Habaneras," ballads sung by sailors who had come back to Spain from Cuba.*

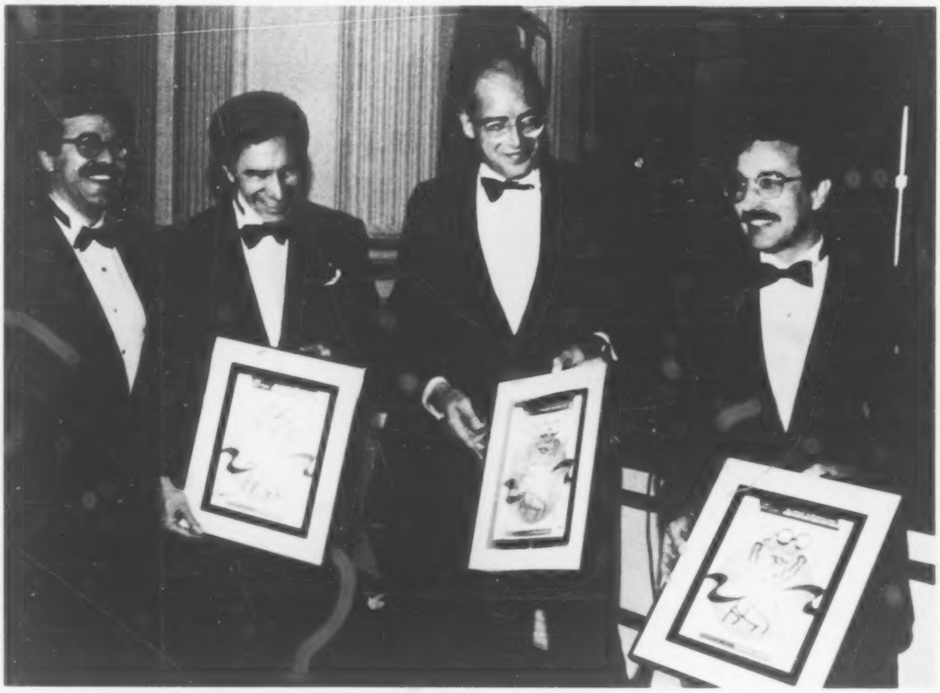
which was followed by a brief speech from Mr. Sebastiá, who welcomed the honor guests and thanked Teléfonica, the sponsor of the Gala, for its support of the event. Mr. Jové, Mr. Fontana, and Mr. Forbes also addressed those present including, Mr. Javier Collar, Spain's Consul in New York. Finally, Mr. Jové thanked the members of the Honor Committee and invited those present to cheer for the King and Queen of Spain and the President of the U.S.

The night was filled with dance and music. In addition to the orchestra, there was live music from La Tuna, a traditional university musical group, that serenaded the audience. Guests also enjoyed the folk group, The Garota, from Cataluña, who sang Habaneras, ballads sung by sailors who'd returned from Cuba. There was also a raffle with a grand prize of a trip to Spain, and all guests received gift packages from the city of Barcelona.

The Business Link, the Chamber's quarterly magazine, presented Mr. Fontana, Mr. Forbes, and Mr. Suarez with the framed cover of the Summer 1991 issue's special report on the Olympic Games.

Each year the Dinner Gala offers companies the opportunity to establish business contacts within a more relaxed environment. Present at the Gala were representatives from major banks and Spanish institutions that are involved in bilateral trade between Spain and the U.S., financial and business entrepreneurs, members of the Consulate General of Spain, representatives from the press and American companies, such as Forbes, Merrill Lynch, Baker & McKenzie, and Peregrine White.

Ms. Bonnie Hoskins presents a raffle award.



(L to R) Miguel Sebastiá, receiving framed covers of The Business Link's *special report, Christopher Forbes, Pedro Fontana, and Adolfo Suarez.*

Goya introduces Tapas

Call them appetizers or hors d'oeuvres or even elegant Spanish noshes, *tapas* are convivial eating. Invented in the taverns of Spain to provoke palate and conversation over a leisurely drink before dinner.

The drink's usually sherry. But it can be anything. It's the *tapas* that make the excitment. A great bar in Madrid could have as many as 70. Even the smallest bar, no fewer than five or six. But whatever they serve, it has verve.

Fortunately for *aficionados* here, a *tapas* spread as varied as any in Spain is as close as your Goya Section. Look at our picture: Goya chick peas, seasoned & sauteed with onions; Goya mussels, shrimps & capers, marinated in Goya wine vinegar & extra-virgin Spanish olive oil; Goya pimientos & garlic, drizzled with that classic oil; cider-poached Goya *chorizos* & apples; and Goya *empanadillas*, little spicy meat-filled turnovers (frozen, ready to heat). And Goyas wonderful giant scalloped crackers.

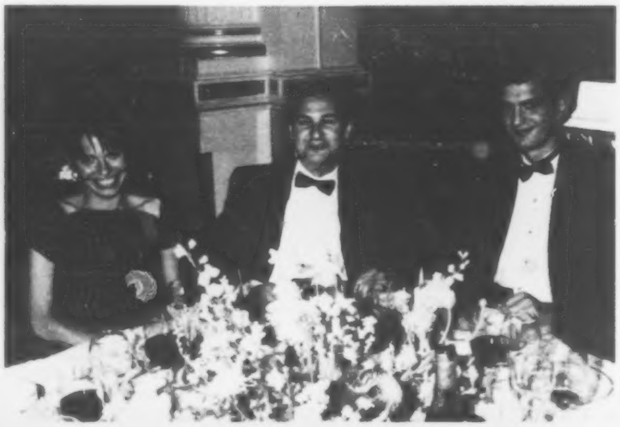
Goya has all kinds of makings for *tapas* from great green olives & tuna & artichoke hearts to octopus & codfish fritter mix. Explore them. And next time it's your place for drinks, you can introduce *tapas*. By you. And by Goya. Oh Boy-a!

GOYA
GOYA
GOYA
GOYA
GOYA
MEJILLONES
GOYA
CHICK PEAS
JUMBO SHRIMP

Meet them at the Goya Section. Invite them over for drinks.

Want more Tapas ideas? Send stamped self-addressed envelope to Goya, Tapas, Secaucus NJ 07094

At the Guest of Honor table (L to R), David Peterson, Edgar House, Ricardo Jové, Karen Furukawa (Mrs. Adolfo Suarez).



Above: *(L to R) Miguel Angel Coello, Mrs. and Mr. Joseph A. Santello, Sheila M. Donovan, and Mario Diaz Cruz, III, Esq.*

Above right: *(L to R) Mrs. and Mr. Luis Mendoza and Alfonso Carcasona.*

At right: *(L to R) José Castelló, Diane Valcic, Alfonso Gonzalez and Louise Perez.*

(L to R) Mrs. and Mr. Thomas Luchese, Mr. and Mrs. Luis Gilabert, Mrs. and Mr. Mitch Mosalem, Mrs. Daniela Verbraeken, Mr. Jawad Salehi and Ms. Louise O'Conner.

Above: *Gala guests admire a handmade replica of one of Christopher Columbus' ships.*

Above left: *(L to R) Mrs. and Mr. Donald Dixon and Mrs. and Mr. Lake.*

At left: *Ricardo Jove addresses the Gala audience with (L to R) Pedro Fontana and Christopher Forbes.*

Chamber's Annual Meeting Welcomes New Board Members and Reelects Mr. Jové as President

Mr. Ricardo Jové and a panel of six new members of the Board of Directors were elected at the Annual General Luncheon held on June 27th at the Metropolitan Club. These members include: Mr. Andrew Alessandro of Associated Products Distributors, Mr. Alfonso Gonzalez of Banco Central, Mr. Patricio Barriga of Bra USA, Inc., Mr. Blake Davies of Fredericks Michael & Co., Mr. Luis Gilabert Jr. of Cargo Express International and Ms. Eileen Foley of the Cola-Cola Export Company.

Mr. Jové, reelected unanimously for a third one-year term, addressed those present. In his annual report, Mr. Jové spoke about the Chamber's activities during 1991 and what lies ahead for the rest of the year. Mr. Jové emphasized the Chamber's continuing goal of promoting Spain. To illustrate this, he outlined the Chamber's most ambitious project to date, a promotional tour of nine cities in the U.S. and Canada. "Spain 1992 and Beyond: A Presentation of Multi-Industrial Business Opportunities with Spain", as this series of presentations is called, will aim to inform American companies about their possible trade and investment opportunities with Spain.

Mr. Jové also talked about the success of this year's Annual Dinner Gala dedicated to the Barcelona '92 Olympic Games and also highlighted the importance of *The Business Link*, the Chamber's quarterly magazine, for its quality and performance.

In his address, Mr. Jové introduced Mr. Miguel Matilla, the Chamber's new Deputy Director. He also stressed the continued importance of cooperation with the Commercial Office of Spain and other Chambers of Commerce in Spain. He added that three cooperation agreements had been signed with the regional offices of the Canary Islands, Valencia, and Murcia, from which the Chamber will have three new representatives. Ω

NEW MEMBERS

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computers.

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Tel. 212-766-4187
BC: Translation and
Interpreting Service

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BC: Financial Consultant
Regular Member

RALPH CIUFFETELLI
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Fax: (914) 965-5193
Bus: Bottled Water &
Accessories

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Group Sales Manager
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Fax. 212-371-4190
Regular Member

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Mr. Jaime Leal
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Fax: (201) 866-6817
BC: Media & Marketing
Corporate Member

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Fax: (212) 525-6258
BC: Banking
Corporate Member

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Fax: 209-9962
Bus: Real State Agency

VICENTE TURORTOLA,
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03720-Benissa(Alicante)
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Fax (96) 573-1964
BC: Legal & Financial
Serv.
Associate Member

The Board of Directors
of
The Spain-USA
Chamber of Commerce
has unanimously elected
Honorable
Joseph Zappala,
U.S. Ambassador
to Spain,
to be honorary
co-president of the
Chamber in recognition
of his avid support
of the Spain-USA business
community.

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New Faces at The Chamber

Susana Ramirez recently joined the Chamber's staff. Her experience in computer systems will be a major asset in her work to reorganize the Chamber's current data processing and programming system. Ms. Ramirez will be assisting in the coordination of the Chamber's 1991 Trade Promotion Tour of U.S. and Canada.

Prior to joining the Chamber's staff, she has worked for Customized Data Base Systems in New York. Ms. Ramirez is studying interior decoration at the Fashion Institute of Technology in Manhattan and resides in Cliffside, New Jersey.

Susana Ramirez

Ramoni López

Lydia Bagaria

Inés Sentmenat

Ramoni López a native of Murcia, Spain is pursuing a degree in Business Administration from the University of Murcia where she is majoring in Commerce. In 1989, Ms. López obtained an ERASMUS scholarship and spent three months at the Lancashire Polytechnic Business School in Preston, England. There she took courses in European Business and Marketing.

At the Chamber, Ms. López had been of great help in the Commercial Department where her input has contributed to maintaining services to its members and public. She has assisted in the ambitious project currently being organized at the Chamber, "Spain-1992 and Beyond." Also, she has helped in the development of the Chamber's new inventory system.

Ms. López has worked for several years as an assistant buyer in the retail business owned by her family in Molina de Segura, Murcia.

Lydia Bagaría completed a summer internship at the Chamber as an editorial and marketing assistant for *The Business Link* magazine. She also provided administrative support to the Chamber's activities and its membership relations efforts. Independently, she took international marketing courses at NYU.

Ms. Bagaria currently studies economics at the Colegio Universitario Abad Oliva, in Barcelona, Spain. She speaks four languages and has passed the Baccalaureate.

Guillermo Amutio

Modesto Allepuz

Pedro Quintana

Inés Sentmenat completed a summer internship at the Chamber as an editorial and marketing assistant of *The Business Link* magazine. She also provided organizational and administrative support to the Chamber's Business Promotion Tour of U.S. and Canada, scheduled for fall 1991. Her experience with computers was used in reorganizing the new operations system of the magazine.

Ms. Sentmenat is a native of Barcelona and is studying international marketing at the Escuela Superior de Management Internacional (ESMAI) in Barcelona, Spain. During her stay in Manhattan, she took business administration courses at NYU.

Guillermo Amutio has recently located at the Chamber of Commerce as project manager for the Autonomous Community of Valencia. In May 1991 he completed a masters degree in Business Administration from Iowa State University where he majored in finance. During his second year he was awarded a research assistantship and conducted intensive research on stock market seasonality and portfolio window dressing activities. Prior to this, he worked in the finance department of several Spanish companies. In 1989, he graduated from University of Valencia, Spain, with a Bachelor of Arts degree majoring in economics. Mr. Amutio has lived in the USA for 3 years and he resides in Manhattan.

Modesto Allepuz is the area manager of the Regional Development Institute of Murcia (RDI) for trading and industrial promotion. He uses the Chamber as a logistical base to promote Murcia's main exports including foods, marble, shoes, furniture and leather garments. Mr. Allepuz promotes investment in Murcia by U.S. companies in such various sectors as plastics, chemicals, electronics and automobile manufacturing. He will also be able to capitalize on the recent $2.5 billion General Electric investment in the region of Murcia.

Mr. Allepuz holds a B.A. degree in Regional Development from Madrid's Autonoma University. He has taken various seminars in Business Administration. He joined RDI two years ago as a venture-capital manager.

Pedro Quintana is the representative of the PROEXCA, the Canary Islands Trade Promotional Office. He has a degree in law from La Laguna University and has been working in the Chamber's offices since spring 1991.

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- BANCO ATLANTICO
- BANCO BILBAO VIZCAYA
- BANCO CENTRAL
- BANCO DE SABADELL
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- NBC SPORTS
- OCASA INTERNATIONAL
- PRICE WATERHOUSE
- REPUBLIC NATIONAL BANK
- SAATCHI & SAATCHI
- SHEARMAN & STERLING
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- GIANNIS FURS
- GLASS GARDEN MFG. CORP.
- GOYA FOODS, INC.
- GRAHAM & JAMES
- HUNTON & WILLIAMS
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- INTERLANGUE, LTD.
- ITT CORPORATION
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[U.S. Business]

Acquiring Businesses and Joint Venture Interests in the U.S.

Methods of valuation are important factors for Spanish companies when they analyze the potential of compatible U.S. businesses for acquisition or joint venture projects

BY EDWARD E. SHEA

With growing frequency, Spanish companies are establishing businesses in the United States. Most organize a wholly-owned subsidiary which begins as a distributor and gradually expands to multiple sales offices, warehouses and then manufacturing facilities.

The process can be accelerated by acquiring a U.S. business or establishing a joint venture with a U.S. company whose business and people are compatible with those of the Spanish company. Many Spanish companies are now looking at these opportunities.

An important factor in any acquisition or joint venture is valuation of the business. In an acquisition, the Spanish company will usually acquire 100 percent of the U.S. business. In a joint venture, the Spanish company will acquire a percentage, such as 50 percent of the U.S. business, and may also contribute "going" business value to the acquired firm.

Valuation methods

This article describes the methods used to value businesses and business interests in the United States. Spanish companies can use them to plan and negotiate effectively with U.S. businessmen and their financial representatives. However, both businessmen and financial planners should remember that valuation studies are working tools and that negotiation is the final determinant of actual prices.

Both businessmen and financial planners should remember that valuation studies are working tools, and that negotiation is the final determinant of actual prices

The methods most commonly used to value U.S. businesses and business interests are as follows:

* Market value, if a company with publicly traded shares will be acquired.
* Comparable values determined by comparing the business being analyzed with businesses owned by companies with publicly traded shares or privately owned businesses for which recent sale information is available.
* Value based on current financial condition such as book value, net asset value, or replacement value.
* Value determined by capitalizing, or applying a multiple to, earnings for some historical period ranging from one to five fiscal years.
* Value determined by a weighted average of several methods, for example, market value (30 percent), book value (20 percent) and earnings multiple value (50 percent).
* Value determined by discounting projected future earnings and adding a residual value.
* Value determined by capitalizing or applying a multiple to projected future earnings or cash flow.
* Liquidation value determined on the assumption that the business cannot continue and will be sold by one of three methods: (1) a quick, forced sale of properties by auction or similar methods, (2) a slower negotiated sale of properties, or (3) a strategic negotiated sale of the business or units of the business designed to realize some elements

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of going business value. It is not necessary to choose a single valuation method. Financial analysts commonly include valuations by several methods in their reports.

Financial analysts should select the discount rate to reflect equity and risk, and also select a suitable volatility factor. Sensitivity analysis should be added to assist management judgements

Adjustments

All valuation methods are subject to adjustments. A premium will usually be applied for an acquisition of control, taking into account the percentage of equity ownership acquired and related arrangements for management of the business. A deduction may be applied for lack of liquidity. Adjustments for risk and the time value of money will be made if the price is payable over a period of time. Adjustments will be made if the price is paid in stock or securities. Important adjustments will be made to reflect the structure of an acquisition as a merger, stock acquisition or assets acquisition and the planned tax treatment as a taxable transaction or a tax- free reorganization.

Valuation Using GAAP

Valuation methods which depend on financial statements prepared in accordance with generally accepted accounting principles (GAAP) require considerable adjustment to take into account the choices (such as FIFO or LIFO inventory valuation) allowed by GAAP and the conservative policies used in developing GAAP. For example, as adopted in the United States, GAAP does not permit revaluation of property, so companies often have assets that are undervalued or have been entirely written off their balance sheets. Companies usually also have a variety of obligations (such as operating leases and supply contracts) and contingent liabilities that are not reflected in their balance sheets, although they should be described in footnotes to the financial statement. Examples of contingent liabilities that may not be fully reflected in financial statements are claims, lawsuits, guarantees, operating leases, supply contracts, employee and retiree benefits, and environmental, product and safety obligations and restrictions. Finally, existing financial statements for any business are necessarily historical and cannot be more than a starting point for valuation which should be future-oriented.

"Due Diligence" Review

While preparing a valuation report, it is customary to perform a "due diligence" review in order to identify nonfinancial statement values as well as obligations and liabilities that are not fully reflected in financial statements prepared according to GAAP. Some examples of nonfinancial statement values are a good public reputation, skilled and motivated employees, patents and other intellectual properties, well-designed products, leading market shares, limited competition, government permits with advantageous conditions, franchise or distributorship agreements, favorable sales or supply contracts, location near markets and raw materials, fully funded employee benefit plans, expense burdens that can be cut, and assets that can be sold without harm to the business.

Trend to Valuations Based on Cash Flows

During the last two decades, financial analysts have increasingly turned to valuation methods based on projections of future cash flows. One of the reasons is that these methods do not rely upon historical financial statements prepared in accordance with GAAP. Another reason is that they are compatible with the analysis used by lenders to evaluate acquisition loans which must, of course, be repaid from future cash flows.

In preparing discounted cash flow (DCF) valuations, the financial analyst must project cash flows carefully over a period of years for which meaningful estimates can be obtained. The analyst should include not only operating cash flows but also the effects on cash flows of planned changes in the business including capital spending, divestitures, debt amortization and refinancing, and tax effects. Because of the development of personal computers, future cash flow projections and the related valuation calculations can be performed rapidly and repeatedly using a variety of assumptions. The projections can also be adjusted as information is developed during the "due diligence" review.

The financial analyst should select the discount rate carefully to reflect equity and financial risk, and should also select a suitable volatility (beta) factor. The analyst should also calculate the residual value by discounting to perpetuity the cash flow for the final projected year or constructing a balance sheet as of the end of the period for which cash flows are projected. Sensitivity analysis should be added to assist management in making business judgements.

EDWARD E. SHEA *is a partner of Windels, Marx, Davies & Ives in New York City and an Adjunct Professor in the Finance Department of Pace University Graduate School of Business. Mr. Shea is also Editor of* The Acquisition Yearbook: 1991, *New York Institute of Finance (Simon & Schuster).*

Additional Information

Readers can learn more about valuation methods in the following books and articles: *Financial Valuation: Business and Business Interest*, James H. Zukin, Maxwell Macmillan/Rosenfeld Launer Publications, 1990; *Creating Shareholder Value*, Rappaport, Free Press/Macmillan 1987; *Determining the Purchase Price: Negotiation and Valuation Methods*, *Acquisitions, Mergers, Sales, Buyouts and Takeovers*, Fourth Ed., Chapter 4, Scarf, Shea and Beck, Prentice-Hall,1991; Readers can learn about lender analysis of acquisition financing in "New Golden Rules of M&A Financing," Torchen, *Mergers & Acquisitions*, 1991 and "Business Value Lending in a Leverage Acquisition," Vernick, *Mergers & Acquisitions*, 1987.

Looming Antidumping & Countervailing Duties

Tariff erosion has created unforseen liabilities with the increasing potential to threaten U.S. importers

BY MICHAEL H. GREENBERG

For many, the U.S. antidumping ("AD") and countervailing duty ("CVD") laws are esoteric mysteries. However, those in the international trading community, particularly American businessmen importing from Spain and other trading partners of the U.S., can pay a high price for ignorance of these laws.

Traditional protection for U.S. business against import competition has come from regularly established, fixed rate tariffs. That protective tariff wall has eroded since the end of World War II under the onslaught of successive multilateral, international trade negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT).

As tariff rates have fallen to levels which no longer provide significant protection, U.S. manufacturers in a variety of industries have turned more and more frequently to the AD and CVD laws as alternative means of protection. Principal among U.S. industries using the AD and CVD laws are steel, textiles and apparel, shoes, and electronics.

How the AD and CVD Laws Work

While the AD and CVD laws are substantively and procedurally complex, the underlying principles are relatively simple.

The antidumping law generally imposes additional customs duties when a foreign manufacturer sells to the U.S. at a price lower than it charges in its principal foreign market (its home market or another principal export market), and such sales at "less than fair value" injure a U.S. industry. If no foreign market value can be found, a "constructed value," which is essentially the direct cost of production with some statutory add-ons, is used. The amount of the additional duty is the difference between the U.S. price and the weighted average foreign ("fair value") price, adjusted to provide for comparability.

Principal among U.S. industries using the AD and CVD laws are steel, textiles and apparel, shoes, and electronics

The countervailing duty law seeks to neutralize subsidization of foreign manufacturers by their governments, where export subsidies or subsidization of particular industries (as distinguished from generally available government assistance) are involved. Again, injury to a U.S. industry from these subsidized sales must be found before countervailing duties may be imposed. The duties in principle equal the amount of the subsidy calculated on a per sale basis.

The administration of these laws is shared by two government agencies. The International Trade Administration ("ITA") of the U.S. Department of Commerce ("DOC") determines the issues of "dumped" sales and countervailable subsidies. The U.S. International Trade Commission ("ITC") deals with the question of injury. The domestic complainant must file its complaint simultaneously with these two agencies. The ITA has 20 days to decide whether the complaint meets the law's requirements. The ITC has 45 days to make a preliminary determination as to whether injury may eventuate from the allegedly dumped or subsidized sales.

If both of these determinations are affirmative, the DOC goes forward with its investigation and the ITA makes a preliminary determination as to dumped or subsidized sales. If that preliminary determination is affirmative, liquidation of entries of the merchandise is suspended and a deposit of estimated antidumping or countervailing duties as well as regular duties must be made on subsequent entries.

Thereafter, if the ITA makes a final affirmative determination of dumping or subsidization, the DOC refers the case back to the ITC for a final determination as to injury. If that determination is affirmative, the Secretary of Commerce issues an antidumping or countervailing duty order.

The timetables for the ITA's and the ITC's investigations are shown in the accompanying table. As the table indicates, the deadlines for the ITA's preliminary and final determinations depend in part on the complexity of the case before it.

Retroactive & Unforseen Liabilities

Why should a U.S. importer be concerned by the threat of an AD or CVD complaint if the only result of a determination unfavorable to the foreign manufacturer is an increase in the duty rate on subsequent imports? Once that higher rate is set, it can be factored into the price. If that higher duty raises the importer's price to an uncompetitive level, the result is the same as if a regular duty had been increased, or so it might seem. However, unfortunately for the U.S. importer, loss of future business is not the only concern. The hidden danger is the risk of the retroactive imposition of AD or CVD liability, the extent of which the importer cannot foresee at the time it imports the merchandise.

Timetable for Antidumping (AD) & Countervailing Duty (CVD) Cases

(Does not include expedited or extended cases)

Days	Stage
0	Petition filed with DOC and ITC
20	ITC Decision on Initiation
45	ITC Preliminary Injury Determination*
CVD 85 (Complicated 150) AD 160 (Complicated 210)	ITA Preliminary Determination/ Suspension of Liquidation
CVD 160/225 AD 235/285	ITA Final Determination
CVD 205/270 AD 280/330	ITC Final Injury Determination
CVD 212/277 AD 287/337	DOC publication of order
One year later	Request for First Annual Administrative Review

* If negative, investigation is terminated.

There are two periods during which a retroactive liability can arise.

The first is the three month period immediately preceding a preliminary affirmative determination by the DOC of dumped or subsidized sales. When such preliminary affirmative determination is made, an order is issued to the U.S. Customs Service to suspend liquidations of future entries and to require the deposit of estimated AD or CVD duties. However, if the preliminary affirmative determination is accompanied by an ITA finding of "critical circumstances" — essentially massive dumped or subsidized imports under circumstances where the importer is deemed to have been aware of the situation—the DOC's suspension of liquidation order is made retroactive to entries of merchandise within 90 days prior to the preliminary determination.

Thus, importations entered even before any preliminary finding of dumping or impermissible subsidization has been made, may be subject to additional duties. The amount of these additional duties is not determinable at the time of the entry of merchandise, let alone at the time of the earlier sale to the U.S. businessman importing the merchandise. As a consequence, the U.S. importer may be subject to substantially higher import duties than anticipated, which cannot be reflected in his resale price. His profit may be wiped out or he may even face a substantial, unanticipated loss in the transaction.

As the accompanying table shows, a preliminary determination generally comes 160 days after the filing of an AD complaint, but only 85 days after the filing of a CVD complaint. Therefore, there is approximately a two month period following filing of an AD complaint during which merchandise may be imported without the danger of penalty duties. However, there is no such safe period after a CVD complaint has been filed. In either case, any entry whose liquidation has been suspended is subject to the possibility of an AD or CVD duty whose maximum level is set in the preliminary determination.

The second period in which the danger of a retroactively imposed liability exists is the period following the entry of a final AD or CVD order by the Secretary of Commerce. This post AD or CVD order period is by far the most dangerous to the U.S. importer. After the publication in the Federal Register of the final AD or CVD order, on each subsequent entry the U.S. importer must make a deposit of estimated AD or CVD duties equal to the rate fixed in the final ITA determination. However, unlike the pre-final order period, in the post-final order period the deposit does not fix the maximum liability.

After the issuance of a AD or CVD order, the DOC is required on each anniversary of the order to conduct an annual administrative review of that order, if requested to do so by any interested party, including the domestic complainant. If such an annual review should result in the finding of a higher dumping or subsidization rate than previously determined, not only future entries, but all past entries subject to the review, are assessed at this higher rate.

Protective Actions

In view of this threat of substantial, unforseeable AD or CVD liabilities to the U.S. importer once a complaint has been filed, what can a U.S. importer do to protect itself? Knowledge and preparedness are very important.

Probably most important for the U.S. importer is to have access to a competent and knowledgeable international trade counsel and to consult with that law firm early enough to avert or at least ameliorate the dangers of potential AD and CVD liabilities.

It is never too early for the U.S. business man importing from abroad to seek indemnity and reimbursement agreements from his foreign suppliers. The U.S. importer, who as the "importer of record" must bear the burden of any AD or CVD assessment, should ask his foreign supplier to warranty, and agree to indemnify, against such liabilities. There are no restrictions on such an agreement in the CVD situation. However, a warranty of nonapplicability of antidumping duties must have been given to the importer by the exporter prior to the initiation of an investigation and can only apply to purchases made prior to notice of suspension of liquidation and exported prior to the DOC's final determination. Thus, a substantial area of potential liability still exists for the U.S. importer.

The increasingly frequent use by U.S. manufacturers of the antidumping and countervailing duty laws against import competition has introduced new and significant risks into business relying on imported merchandise. The prudent U.S. businessman engaged in importing should be aware of these risks and how to avoid or ameliorate them. Ω

MICHAEL H. GREENBERG *is counsel to the law firm of Sharretts, Paley, Carter and Blauvelt, P.C., which specializes in international trade law.*

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BANCO DE SABADELL

Canary Islands: The Southern Border of Europe

Since fully entering the European Community in June 1991, the Islands offer U.S. companies many new commercial opportunities

BY PEDRO QUINTANA

The Canary Islands, known since ancient times as the Fortunate Islands, project an image of an ideal holiday resort to the international observer. This overshadows the islands' capabilities in international trade, as well as their attractiveness in the investment arena.

The archipelago's status is determined by three major points: the Canary Islands as an European region, its location off the coast of Africa, and the natural strategic location in the Atlantic Ocean. All these aspects are extremely important for the existence of these islands.

As of June, 1991, the situation of the Canary Islands within the EEC had changed. This was the result of a process started last December when the autonomous parliament approved a resolution to have full membership in the European Community.

Before the new regulations, the situation of the Islands in the Common Market was determined by the Protocol II of the Spain-EEC Treaty, which excluded the archipelago from some of the policies (commercial, agricultural, fishing and customs) that affected other regions within the Community. Due to these regulations, some sectors in the Canary Islands' economy were having problems in their traditional trade with other EEC countries.

The new regulations call for the Canary Archipelago to follow all the policies of the EEC with a transition period of ten years. So the Canary Islands have become the Southern Border of Europe with the same status in the EEC as any other Spanish region, while preserving the traditional commercial advantages that have existed in the islands throughout their history.

Due to the problems caused by their distance from the rest of the Common Market, the Commission approved a program called POSEICAN designed to solve the problems of isolation.

The second remarkable aspect is the strategic location of the Canary Islands. This archipelago enjoyed the advantage of its privileged location throughout its history. Some results of that policy are the Free Ports Regime and the special Tax System. From this point of view, the Canary Islands have been considered a meeting point between Europe, Africa and America. This location involves a role in international trade that has to be increased and developed in coming years. Thus, the Canary Islands' role in international trade cannot be missed by any American company desiring to do business with the African continent.

The other aspect that cannot be missed is the importance of the African market to the Canary Islands. Currently, the Canary Islands export 20 percent of their products to African developing countries. As a result, the International Fair of Canary Islands is held every year in Las Palmas de Gran Canaria. In 1990, companies from twenty countries joined that fair. Most of them were African, but there were also European and South American companies that participated. Currently, it is considered the most important fair in the area by the West African countries.

A few internal aspects have to be taken into account in order to complete the new international trade status picture of the Canary Islands. Among these, the most important are the tax system, the highly developed communications infrastructure and the consideration of the Canary Islands as an economic promotion area.

The tax system had to be reformed before the islands could become a full member of the Common Market, though the traditional tax system is based on the exemption of the value added tax (V.A.T.).

There is a highly developed communications infrastructure, with international airports and seaports. The Puerto de la Luz in Las Palmas de Gran Canaria is Spain's busiest port and the fifth largest of Europe in terms of traffic handled, which shows the importance of the archipelago in international trade.

In the investment arena, the Canary Islands have a privileged status. They have been declared an "area of economic promotion" by the Madrid Central Government, which means that Regional Incentives reaching up to 50 percent of the initial investment will be allocated to investment projects in the farming, food, industrial and tourism sectors. Also, the EEC offers loans to companies investing the area.

Considering all these circumstances, it is possible to conclude that the Canary Archipelago presents an interesting investment outlook for all those American companies that want to be in Europe and at the same time are interested in foreign trade with African countries. Ω

PEDRO QUINTANA *is Project Manager for PROEXCA, the Canary Islands international trade and investment promotion company.*

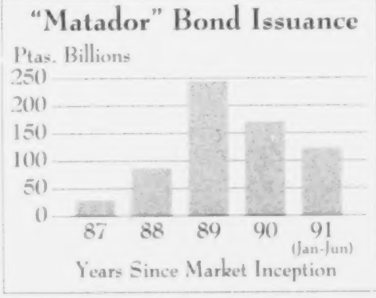
The Spanish Bond Market Continues to Liberalize

The Spanish Government has recently eased restrictions in the "Matador" domestic Eurobond market

BY JACK PRAUS

According to the Spanish Government, foreign public agencies who carry an explicit, 100 percent guarantee from their governments will soon be able to issue "Matador" bonds.

This act, released after the July 1991 meeting of the Intergovernmental Conference on Exterior Financing (CIFEX), will open the high-yielding "Matador" market to a number of new issuers. "Matador" bonds, or bonds denominated in Europesetas by non-Spanish entities, were previously issued only by either large supranational organizations with AAA solvency ratings, such as the World Bank and the European Investment Bank, or a sovereign nation.



SOURCE: FG

Historically, Eurobond markets similar to the "Matador" market have generally been attractive to investors that require the lowest risk possible, the AAA solvency rating. But because of the strength of the peseta, the high yields of all Spanish bonds, and the fact that foreigners pay no Spanish tax on "Matador" bonds, the "Matador" market has been popular with a wider range of investors. Since its inception in 1987, the market has experienced continuous liberalization and tremendous growth. Recently though, this growth has slowed. Since December of last year, when the State announced its intention to return to foreign investors the 25 percent withholding tax on all Spanish Government bonds, the interest in "Matador" bonds has declined in favor of the Government debt. Investors who do not require a AAA rating will soon be able to enjoy higher yields and greater liquidity in the Government bond market while still avoiding the withholding tax. A bond trader at Banco Santander in Madrid commented that, "While there will always be demand for high grade 'Matador' peseta paper, many institutional investors have recently sold large blocks of 'Matadors' in order to take advantage of the greater liquidity of Spanish Government bonds."

Coinciding with this has been a temporary decrease in the yearly amount of new "Matador" bond issues (see graph). The volume of new bond issues reached over 245 billion pesetas in 1989, but has since leveled off. The result of these two factors has been to slow the growth of liquidity and size of the "Matador" market.

According to analysts at FG Inversiones Bursatiles in Madrid, the timing of this latest liberalization of the "Matador" market occurred, in part, as a result of this recent stagnation. The Spanish Government has steadily liberalized the market as part of the deregulation necessary to bring the Spanish bond market in line with other European markets. But this latest move has been interpreted by some as an announcement by the Spanish Government of its intention to revive the "Matador" market. As a part of this effort, the Spanish government made two additional announcements. The minimum length of time to maturity for "Matador" bonds will be reduced from 5 to 3 years, taking effect at the same time the opening of the market to government agencies. And in what was considered to be a major move, the Spanish Government has announced that it will open the "Matador" market to include large, multinational, private corporations as early as next summer.

The Spanish Government is likely to begin authorizing foreign government agencies to issue "Matador" bonds by September, and two or three of these agencies should be active this year. All of the public agencies which will be authorized to issue must be 100 percent owned by their state. All of the public agencies available to issue "Matadors" will carry the same solvency rating as their state, but in the beginning at least, only agencies from AAA rated countries will be authorized to issue peseta bonds.

All of the factors which have combined to make Spanish bonds so attractive are expected to remain positive. The outlook for the peseta is continued strength, and analysts believe that interest rates will remain high relative to the rest of the E.C. for some time. For the "Matador" market, this will mean renewed demand, and subsequently, continued, steady growth. Ω

JACK PRAUS *recently completed an internship in the international fixed income department of FG Inversiones Bursatiles, a leading independent broker on the Madrid stock exchange in Madrid.*

Spain at a Glance

Population:
39.3 million

Population Growth Rate:
0.3%

Area:
507,606 sq. Km. (including the Balearic and Canary Islands), about the size of Arizona and Utah combined

Religion:
Predominantly Roman Catholic

Government:
Constitutional Monarchy

Languages:
Spanish, Catalan, Galician, and Basque

Next Scheduled Election:
1993

Foreign Visitors (1990):
52 million

Exchange Rate (avg. 1990):
$1 = 101.9 pesetas

Unemployment (1990):
16.3%

Total Foreign Investment during 1990:
$18.0 billion

Total U.S. Direct Investment during 1990:
$438.8 million

Total EC Direct Investment during 1990:
$12.3 billion

GDP in market prices (1990):
$491.3 billion

GDP per capita (1990):
$12,502

Composition of GDP (1990):
Services 58.2%
Industry 27.3%
Construction 9.6%
Agriculture/Fishery 4.9%

Exports (1990):
$51.0 billion

Imports (1990):
$94.8 billion

Composition of Manufactured Imports (1990):
Raw Materials 7.0%
Semi-manufactured goods 25.3%
Capital goods 37.9%
Automotive goods 13.8%
Consumer goods 15.7%

Natural Resources:
Coal, lignite, iron ore, uranium, mercury, pyrites, flourspar, gypsum, zinc, lead, tungsten, copper, kaolin, hydroelectric power

Agricultural Products:
Grains, vegetables, citrus and deciduous fruits, wine, olives, olive oil, sunflowers, and livestock

Primary Industries:
Processed foods, textiles, footwear, petrochemicals, steel, automobiles, consumer goods, and electronics

Best U.S. Export Prospects:
Franchising, pollution control equipment, medical equipment, scientific equipment, coal, telecommunications, computers, construction equipment, tourism services, aircraft and parts, and building products

SOURCE: *Business America, August 26, 1991*

SPAIN

AS A BUSINESS PARTNER:

1992 and Beyond

A SPECIAL REPORT PRESENTED BY

The Spain-USA Chamber of Commerce
New York

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This report is sponsored by Fredericks Michael & Co. as a supplement to The Business Link magazine

Spain as a Business Partner

SPECIAL REPORT

October 1, 1991
Madrid

Dear friends:

I would like to invite the leaders of medium-sized and large North American companies, including the participant companies in the promotion tour "Spain 1992 and Beyond", to develop and expand their relations with our country.

Since joining the European Community in 1986, Spain has sustained the highest economic growth rate in Europe for four consecutive years, in large part, by attracting unprecedented amounts of trade and foreign investment from the United States. Spain's new dynamism, coupled with the momentum generated by the Barcelona Olympic Games and Seville's Expo' 92, has resulted in mobilizing domestic and international resources toward the modernization of our infrastructure. Entering into such joint venture arrangements as licensing agreements, sales agents, distributorships and technology transfers is the best way to take advantage of our excess growth capacity relative to the northern tier countries of Europe.

Now more than ever, Spain is poised to compete more effectively in the international marketplace and offer companies an excellent platform for doing business with Europe. We encourage you to look to Spain not only as the fifth largest consumer market in Europe and the most popular tourist destination in the European Community, but also as a long-term business partner.

Very truly yours,

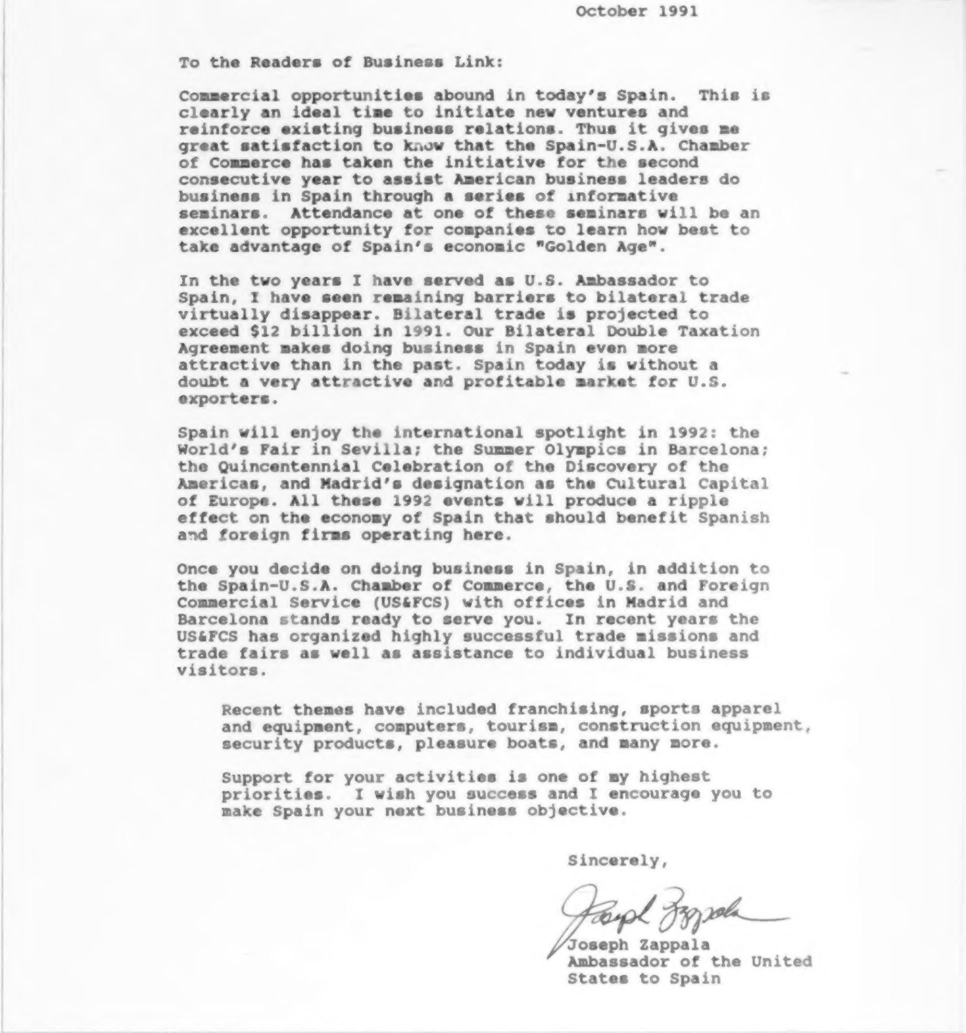
Claudio Aranzadi
Minister of Industry, Trade and Tourism

Spain as a Business Partner

SPECIAL REPORT

EMBASSY OF THE
UNITED STATES OF AMERICA
MADRID

THE AMBASSADOR



October 1991

To the Readers of Business Link:

Commercial opportunities abound in today's Spain. This is clearly an ideal time to initiate new ventures and reinforce existing business relations. Thus it gives me great satisfaction to know that the Spain-U.S.A. Chamber of Commerce has taken the initiative for the second consecutive year to assist American business leaders do business in Spain through a series of informative seminars. Attendance at one of these seminars will be an excellent opportunity for companies to learn how best to take advantage of Spain's economic "Golden Age".

In the two years I have served as U.S. Ambassador to Spain, I have seen remaining barriers to bilateral trade virtually disappear. Bilateral trade is projected to exceed $12 billion in 1991. Our Bilateral Double Taxation Agreement makes doing business in Spain even more attractive than in the past. Spain today is without a doubt a very attractive and profitable market for U.S. exporters.

Spain will enjoy the international spotlight in 1992: the World's Fair in Sevilla; the Summer Olympics in Barcelona; the Quincentennial Celebration of the Discovery of the Americas, and Madrid's designation as the Cultural Capital of Europe. All these 1992 events will produce a ripple effect on the economy of Spain that should benefit Spanish and foreign firms operating here.

Once you decide on doing business in Spain, in addition to the Spain-U.S.A. Chamber of Commerce, the U.S. and Foreign Commercial Service (US&FCS) with offices in Madrid and Barcelona stands ready to serve you. In recent years the US&FCS has organized highly successful trade missions and trade fairs as well as assistance to individual business visitors.

Recent themes have included franchising, sports apparel and equipment, computers, tourism, construction equipment, security products, pleasure boats, and many more.

Support for your activities is one of my highest priorities. I wish you success and I encourage you to make Spain your next business objective.

Sincerely,

Joseph Zappala

Joseph Zappala
Ambassador of the United
States to Spain

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SPECIAL
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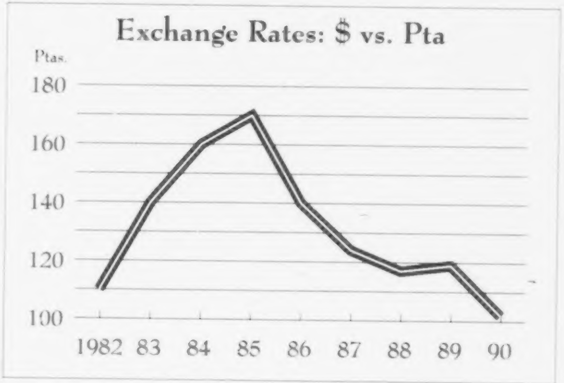
The Spanish Economy: Cooling Down for Smooth Sailing

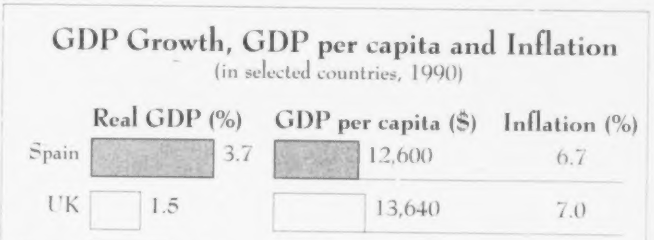
As Spain's GDP growth rate slows and interest rates decrease, bringing inflation to EC levels is an economic priority

SPECIAL REPORT

Impressive growth statistics over the past few years cannot adequately communicate the sweeping transformation unleashed in the Spanish economy. Nor do the figures accurately convey the dynamic changes taking place in traditional commercial relations, business management, practice and outlook. Spanish businesses are making major decisions on how to position themselves for the European Single Market. For many this has meant significant capital expenditure programs to acquire equipment and technologies to improve efficiency.



As part of its entry into the EC in 1986, Spain negotiated a seven year transition period to implement existing Community regulations and external tariff rates. This period, which began on January 1, 1986, will terminate on December 31, 1992. In almost all cases, the newly implemented EC regulations represent a significant liberalization over previous Spanish requirements. A major event in 1989 was the Spanish peseta's entry in the European Monetary System. Linking the peseta with the major European currencies has kept the peseta relatively strong vis-a-vis the dollar during the first half 1990. This further adds to the attractiveness of American products in the Spanish marketplace.



The Spanish Government's major economic policy concerns are the overheating of the economy, a large and growing trade deficit, higher imported fuel costs, and employment creation. Concern that a worsening of these developments could cut short the economic expansion led the government to implement measures aimed at cooling the economy. These measures, which have been criticized for their excessive reliance on tight money and restrictions on credit expansion, began to impact on growth by the end of 1989. A more conservative fiscal stance in 1990 will complement monetary restraint. Near term prospects for sus-

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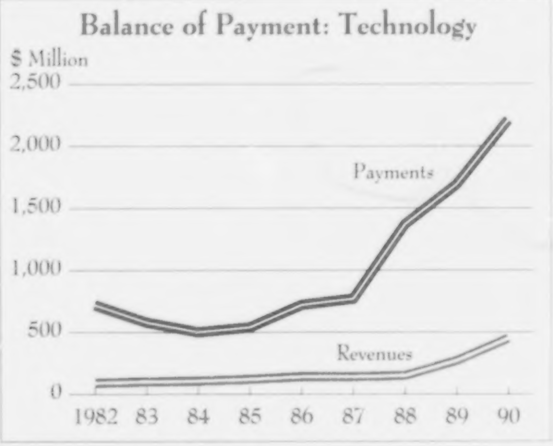
Las Palmas

tained growth remain good, however, with official projections averaging 3.1 percent in real terms for the next several years.

The high interest rate policy of the Bank of Spain kept the peseta near the top of the band in the Exchange Rate Mechanism (ERM) of the European Monetary System. The most immediate effect was on the trade deficit, which widened to $29.5 billion in 1990. The strong peseta also contributed to a four percent drop in tourist entries for the year. At the same time, high interest rates also helped attract $20 billion in foreign capital. The capital flows more than covered the current account deficit, and thus foreign exchange reserve holdings increased $8.7 billion during the year.

In 1991, the economy should grow about 2.5 percent, with most of the growth coming from the service sector. The budget deficit is projected to fall, resulting in inflation of around 6 percent. Unemployment should stay at about 16 percent.



The Spanish economy is expected to average 2.5 percent growth during 1991. Large investment projects by foreign investors and the government public works program will give a major push to the construction and manufacturing sectors, and real wage hikes will increase consumer purchasing.

Inflation will probably average around six percent, despite declines in energy prices. The increase in the public sector deficit in the fourth quarter 1990 will be felt in 1991 consumer prices. If the government's budget projections hold, a lower fiscal deficit should reduce inflationary pressures in the latter part of 1991. The government has indicated it plans to move away from the high-interest rate monetary policy. In March, the Bank of Spain cut the official interest rate from 14.5 percent. Since the peseta remains at the top of the ERM band, further cuts may become necessary as other countries (particularly France and the U.K.) reduce interest rates to spur their economies.

Employment growth will likely be slower in 1991, and thus unemployment may rise. The government remains concerned about wage hikes that have exceeded inflation and productivity gains. It has set a goal of limiting average negotiated wage increases to 5.8 percent, and this jaw-boning effort is a major part of the government anti-inflation strategy.

Both the trade and current account deficits should increase in 1991, reflecting the strength of the peseta. Foreign investment should remain strong, as companies position themselves for the 1992 European Single Market. Other capital inflows may slow if interest rates drop significantly.

The near term challenge will be to bring down inflation levels to match those of other European countries. With the exchange rate essentially fixed in the ERM, above-average inflation implies decreasing competitiveness. To date, most anti-inflation efforts have been concentrated in interest rate policy. In order to maintain Spanish competitiveness, the government is making a strong deficit reduction effort. Ω

This article was prepared by the U.S. Department of Commerce with collaboration by the Commercial Office of Spain in New York City.

Spain: Business and Tax Incentives for U.S. Investors

Since democracy has arrived in the Spanish political system and the country has entered the EEC, Spain has evolved rapidly in economic development. Consequently, the higher growth rate has produced a spectacular increase of the per capita gross domestic product and, consistently, a similar evolution of its citizens' purchasing power. Spain currently offers several sectors (industrial, commercial and service) with great potential for business profits.

SPECIAL REPORT

BY RAFAEL COLLANTES DE ALBA

The Spanish government and local authorities are now trying to promote investments in certain areas by giving subventions and other incentives which are available to foreign investors.

Incentives for investment are granted not only by the government, but by the Autonomous Communities (i.e. regional governments), local authorities and even by the EEC, because, since January 1, 1986, Spain has been entitled to avail itself of the various EEC aid programs.

To encourage investment in Spain by U.S. and other investors, the following have been implemented:

- A progressive liberalization of the requirements for foreign investments in Spain, especially in exchange control matters.
- The opening of the banking system to foreign banks has resulted in an increase of credit facilities and access for foreign investors to local financing opportunities with the same conditions as for Spanish investors. Additionally, it is possible for certain enterprises to make an agreement with the government to obtain priority in the granting of official credit by public sector banks.
- The State Budget Laws annually offer tax incentives which encourage employment, investment and the development of new technology.
- Non-tax incentives, like subventions or reduction of Social Security contributions, are available to foreign investors.

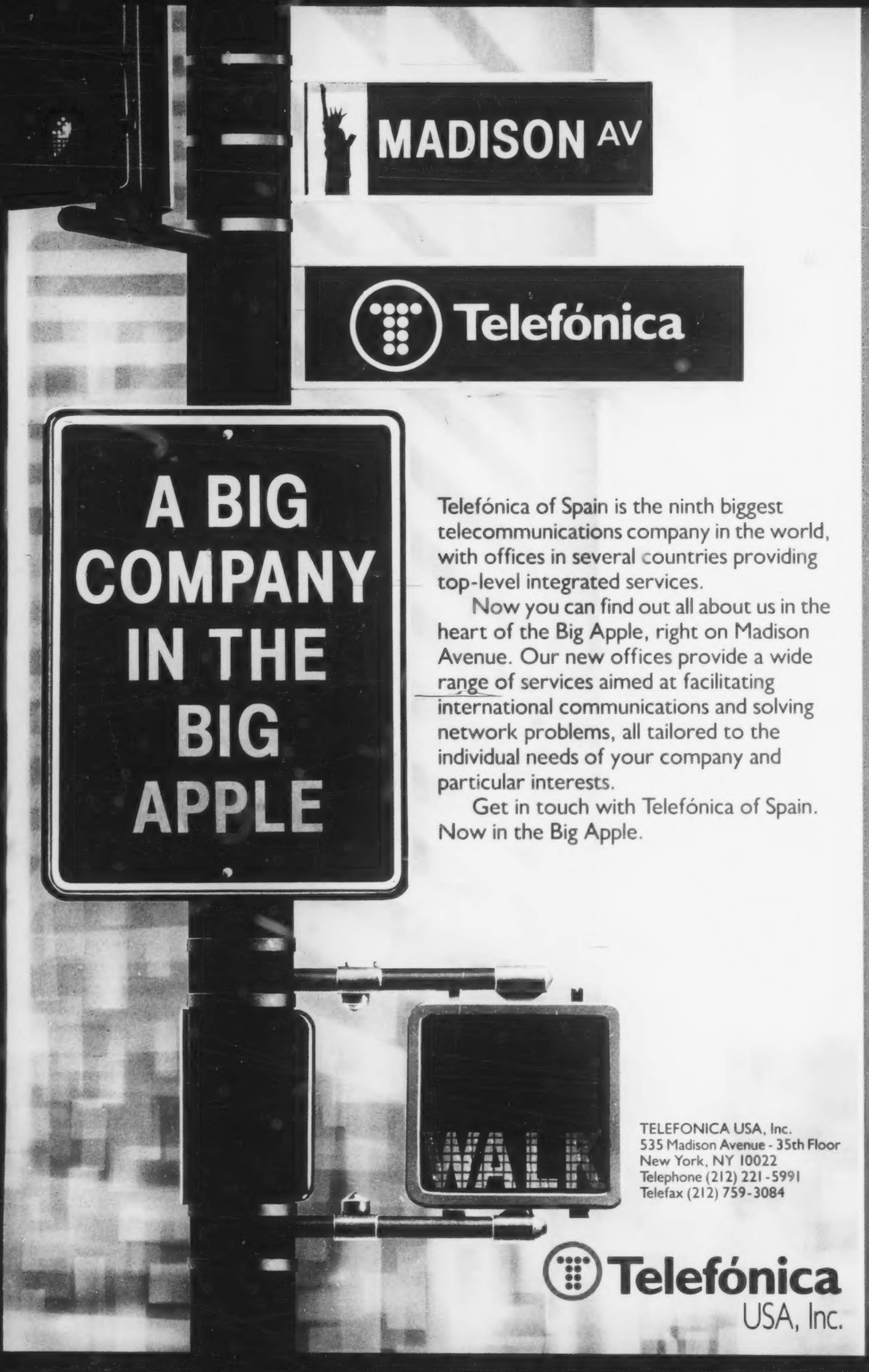
This article does not intend to make an extensive study of the incentives for foreign investment in Spain, rather, it is simply a summary guide of the opportunities, requirements and conditions which these investments involve.

Subsidies

Investment in promotional areas or activity sectors allow the obtaining of different grants. In general terms, these economic aids consist of the following types of incentives:

- Non-returnable subsidy of approved investments.
- Subsidy of the interest on loans obtained from financial entities.
- Subsidies for the amortization of the loans obtained.
- Reduction of up to 50 percent of a company's Social Security contribution for normal contingencies for jobs approved and created by a project during a maximum period, normally two years.

Law 50/1987 of December 27, 1987 on regional incentives classified the Spanish territory into different areas (zonas de promocion economica, zonas industrializadas en declive, zonas especiales). The incentives granted by the Central Authorities encourage invest-



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ment in areas which have not benefitted from industrial expansion or those which are experiencing economic difficulties.

There are also a variety of incentives for specific services or industrial sectors such as mining, fishing, electronics, energy, naval, nutrition, data processing, pharmaceuticals and agriculture.

In addition, each Autonomous Community offers other types of incentives for investments located in their respective regions: the EEC programs operating through the European Social Fund and the Fund for Regional Development (FEDER) promoting the development and structural adjustment of the less developed regions. There are grant incentives consisting of subsidies for investment, infrastructure, financing of technology transfers and enterprise support systems.

The Spanish fiscal regulations provide many tax credits and incentives. Tax concessions can be divided into the following groups:

99 percent allowance of interest obtained by certain entities from loans granted to finance investments in Spain.

Investments made on new fixed assets.

Creation of employment.

Research and development and promoting new technologies.

Tax benefits on mergers, spin-offs, joint ventures and certain regional industrial development operations.

Investment in publishing and exporting activities.

Labor Cost Reductions

The promotion of employment is carried out in two ways: a) Tax incentives for job creation. The regulation of Corporate Tax provides a 500,000 pesetas tax credit for each person/year of average increase in the workforce with a full-time contract of indefinite duration. In the case of handicapped employees, the tax credit would be an amount equivalent to 700,000 pesetas, under the same conditions. b) Non-tax credit. Certain types of contracts (e.g. practical training contracts) allow a reduction of about 75 percent in the company's Social Security contributions for normal contingencies under the condition that the companies have their Social Security obligations up to date.

Exchange Control Requirements

In general, direct investments (e.g. creation of new companies or participation in Spanish share capital companies above 20 percent) for an amount under 25 million Pesetas do not need prior administrative verification. Other investments in shares or participation in the share capital are, in general, liberalized. Loans with a duration of over five years, granted by nonresidents, with the aim of establishing or maintaining economical lasting relations, do need prior administrative clearance.

Loans under 1.5 million pesetas and a duration of at least three years do not need the authorization of the Bank of Spain.

It is important to bear in mind that interest rates paid in Spain for loans or securities, in Pesetas, are comparatively higher than the average European interest rates.

Tax Facilities and Exemptions

Corporate Income Tax provides several incentives for investment in Spain. These include advantageous deductions from the taxable base that could be applied as expenses due to Special Depreciation Plans, accelerated depreciation for certain fixed assets and free choice of depreciation methods for equipment, expenses and buildings used for research and development.

Also, losses from commercial or industrial activities of new or existing companies can be offset in the following five years against profit in the company income tax.

Finally, capital gains and interest obtained by individuals or entities resident in an EEC country other than Spain are, since 1991, not subject to tax in Spain under certain conditions. Interest and capital gains derived from the Spanish public debt are exempt from Spanish tax if obtained by nonresidents in Spain, whether individuals or entities, not operating in Spain through a permanent establishment. Profits, royalties, dividends and interest will not be subject to tax, or will have a reduced rate of tax, in Spain if a tax treaty for avoiding double taxation is in effect. Spain has such a tax treaty with the U.S.

Some regions have special tax treatment such as the Canary Islands, Ceuta and Melilla. This affects import duties, indirect taxes and direct taxes (a 50 percent reduction of its fiscal cost). Also, local authorities can grant tax credits on local taxes, such as those on business licenses.

Regarding nonresident investors, if their investment cannot be considered a permanent establishment, the applicable tax rate (if there is no treaty in effect) is 25 percent of the gross income, lower than the tax rate applicable to Spanish residents, or 35 percent for capital gains on the net amount. Additionally, there are special reduced tax rates of 4 percent for certain entities or activities, such as reassurance operations. Ω

MR. COLLANTES *is the tax partner responsible for financial services with Price Waterhouse in Madrid. He is a lawyer and "Censor Jurado de Cuentas" i.e. a CPA.*

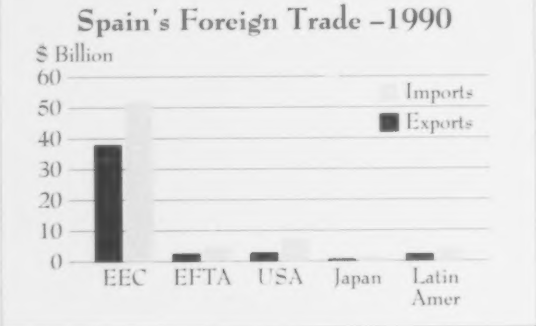
The Ten Best Spanish Markets

A Comprehensive U.S. Department of Commerce Listing of U.S. Export Prospects in Spain

Franchising

Est. total sales, 1990: $300 million.
Est. avg. ann. growth rate/total sales, 90-2: 50 percent.
Est. total sales/foreign-owned firms, 1990: $270 million.
Est. avg. ann. growth rate/sales of foreign owned firms: 50 percent.
Est. sales/U.S.-owned firms, 1990: $200 million.
Est. avg. ann. growth rate/sales of U.S. owned firms: 50 percent.
Receptivity score to U.S. products/services: 5. (On a scale of 1 to 5).
Comments: Franchising is hot. Spanish entrepreneurs seek proven business systems and, if possible, "name" brands. There is no shortage of local capital.
Promising subsectors: Fast foods [$175 million]; business services [$25 million], and automotive [$15 million].

Spain's Foreign Trade -1990



Pollution Control Equipment

Est. market size, 1990: $262 million.
Est. avg. ann. growth rate of market, 1990-2: 40 percent.
Est. total imports, 1990: $240 million.
Est. avg. ann. growth rate/total imports: 45 percent.
Est. imports from U.S., 1990: $42 million.
Est. avg. ann. growth rate/imports from U.S.: 40 percent.
Receptivity score to U.S. products/services: 5.
Comments: Explosive demand as Spain works to comply with current EC environmental standards. Local presence improves competitive position.
Promising subsectors: Filters [$50 million], industrial incinerators [$75 million], and electrostatic precipitators [$10 million].

Medical Equipment

Est. market size, 1990: $930 million.
Est. avg. ann. growth rate of market, 90-2: 30 percent.
Est. total imports, 1990: $800 million.
Est. avg. ann. growth rate/total imports: 30 percent.
Est. import from U.S., 1990: $195 million.
Est. avg. ann. growth rate/imports from U.S.: 35 percent.
Receptivity score to U.S. products/services: 5.
Comments: Investment in the public and private health care sectors is strong, but still behind its European neighbors. Expansion of private insurance coverage contributing to overall demand increase.
Promising subsectors: Electro-medical [$200 million], electrocardiographs [$75 million], and prosthetic equipment [$20 million].

Laboratory and Scientific Equipment

Est. market size, 1990: $650 million
Est. avg. ann. growth rate, 90-2: 20 percent.
Est. total imports, 1990: $575 million.
Est. avg. ann. growth rate/total imports: 20 percent.
Est. imports from U.S., 1990: $150 million.
Est. avg. ann. growth rate from U.S.: 25 percent.
Receptivity score to U.S. products/services: 5.
Comments: Government increases funding for research and development in public and private sectors.
Promising subsectors: Chromatographic [$75 million], spectrophotometric [$50 million], and electrochemical [$50 million] instruments.

Telecommunications Equipment

Est. market size, 1990: $4.1 billion.
Est. avg. growth rate of market, 1990-2: 30 percent.
Est. total imports, 1990: $1.3 billion.
Est. avg. ann. growth rate/total imports: 35 percent.
Est. imports from U.S., 1990: $80 million.
Est. avg. ann. growth rate/total imports from U.S.: 40 percent.
Receptivity score to U.S. products/services: 3.
Comments: Growth in the Spanish telecommunications market has been explosive in recent years. The Spanish PTT, Telefonica, has been investing in new equipment and lines to meet demand and to modernize. The Spanish market has become one of the most open of the major European countries.
Promising subsectors: Mobile communications [$200 million], digital switching [$400 million], automated call distributors [$100 million], multiplexers [$50 million], outside plant equipment [$75 million].

Spain as a Business Partner

Coal

Est. market size, 1990: 48.5 million metric tons.

Est. avg. ann. growth rate of market, 90-2: 4 percent.

Est. of total imports, 1990: 11.5 million metric tons.

Est. avg. ann. growth rate/total imports: 6 percent.

Est. imports from U.S., 1990: $185 million.

Est. avg. ann. growth rate/imports from U.S.: 10 percent.

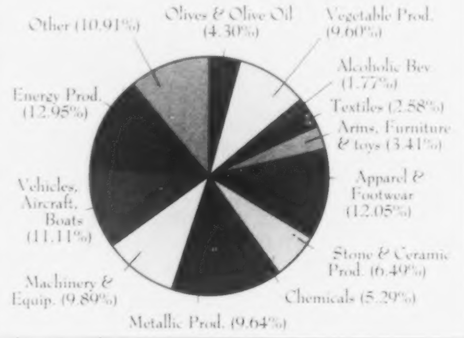
Receptivity score to U.S. products/services: 4.

Comments: Imports for power generation will continue to expand as production is subsidized, inefficient local mines are reduced and political considerations limit growth of nuclear power. Coking coal represents over 90 percent of U.S. exports to Spain. The major competition for the steam coal market comes from South African suppliers.

Promising subsectors: Steam coal [$700 million], coking coal [$250 million].

Exports to USA-1990

($3,238,640)



Computer and Peripherals

Est. market size, 1990: $2.4 billion.

Est. avg. ann. growth rate of market, 1990-2: 10 percent.

Est. total imports, 1990: $2 billion.

Est. avg. ann. growth rate/imports: 10 percent.

Est. imports of U.S., 1990: $420 million.

Est avg. ann. growth rate/imports from U.S.: 10 percent.

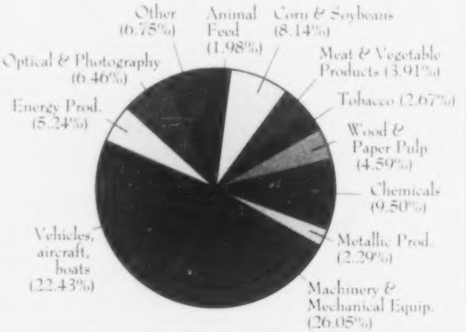
Receptivity score to U.S. products/services: 5.

Comments: The global downturn in this sector is finally reaching Spain. Market growth in 1990 was only 9 percent, after years of 20-plus percent expansion. However, most industry sources believe local market far from saturation. Strong demand from public and financial sectors will contribute to this growth.

Promising subsectors: Laser printers [$200 million], optical readers/scanners [$50 million], modems [40 million], and lap-top computers [$300 million].

Imports from USA-1990

($7,268,972)



Construction Equipment

Est. market size, 1990: $3 billion.

Est. avg. ann. growth rate of market, 1990-2: 10 percent.

Est. total imports, 1990: $900 million.

Est. avg. ann. growth rate of total imports: 15 percent.

Est. imports from U.S., 1990: $85 million.

Est. avg. ann. growth rate/imports from U.S.: 20 percent.

Receptivity score to U.S. products/services: 4.

Comments: The total Spanish construction sector represents over $30 billion per year. Major government infrastructure spending will maintain one of the highest construction growth rates in Europe.

Promising subsectors: Tracklaying tractors [$16 million], shovel loaders [$12 million], off-highway dump trucks [$8 million], motor graders and levelers [$8 million].

Travel and Tourism

Est. total of sales, 1990: $40 billion.

Est. avg. ann. growth rate of sales, 1990-2: 5 percent.

Est. sales of foreign-owned firms, 1990: $1 billion.

Est. avg. ann. growth rate/sales of foreign-owned firms: 5 percent.

Est. sales of U.S.-owned firms, 1990: $1 billion.

Est. avg. ann. growth rate/sales of U.S. owned firms: 6 percent.

Receptivity score to U.S. products/services: 5.

Comments: Sector represents 9 percent of Spanish GNP. Demand is split between residents and foreign visitors. Per Capita expenditure and length of stay in U.S. are way above average.

Promising subsectors: U.S. destinations [$100 million].

Building Products

Est. market size, 1990: $52 billion.

Est avg. growth rate of market, 1990-2: 10 percent.

Est. total imports, 1990: $6.2 billion.

Est. avg. ann. growth rate of total imports: 20 percent.

Est. imports from U.S., 1990: $525 million

Est. avg. ann. growth rate/imports from U.S.: 25 percent

Receptivity score to U.S. products/services: 4.

Comments: Government infrastructure spending for the 1992 Summer Olympics and a World's Fair will generate growth. Lumber and wood products dominate U.S. exports. Interest rate reduction should increase number of residential and commercial unit starts.

Promising subsectors: Lumber/wood products [$100 million], wood particleboard [$3 million], and float glass [$3 million].

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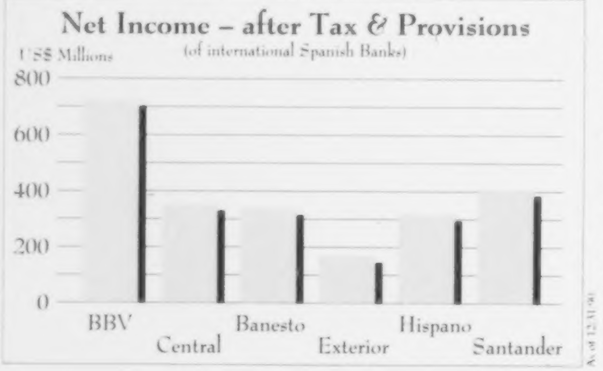
BBV Celebrates Third Anniversary

Three years after the unprecedented merger of Banco de Bilbao and Banco de Vizcaya, BBV takes its place in the global financial market

BY RAYMOND E. C. SURGUY

SPECIAL REPORT

On October 1, 1991, Banco Bilbao Vizcaya completed its first three years of operation since its formation resulting from the merger of Banco de Bilbao and Banco de Vizcaya. This merger in 1988 formed Spain's largest financial group at the time, with total assets equivalent to $65 billion, placing it as the 36th largest bank in Europe and 69th in the world. In the quest to develop a world-class Spanish banking institution and to recognize the role that Spain would come to play in the European Economic Community, the foresight of the respective predecessor bank Chairmen, José Angel Sánchez Asiáin of Banco de Bilbao and Pedro Toledo of Banco de Vizcaya, was indeed timely. Today BBV is a world-class institution which is among the leaders in terms of financial strength and profitability. In fact, just recently, the financial magazine *Euromoney* classified BBV as one of the ten best banks worldwide.

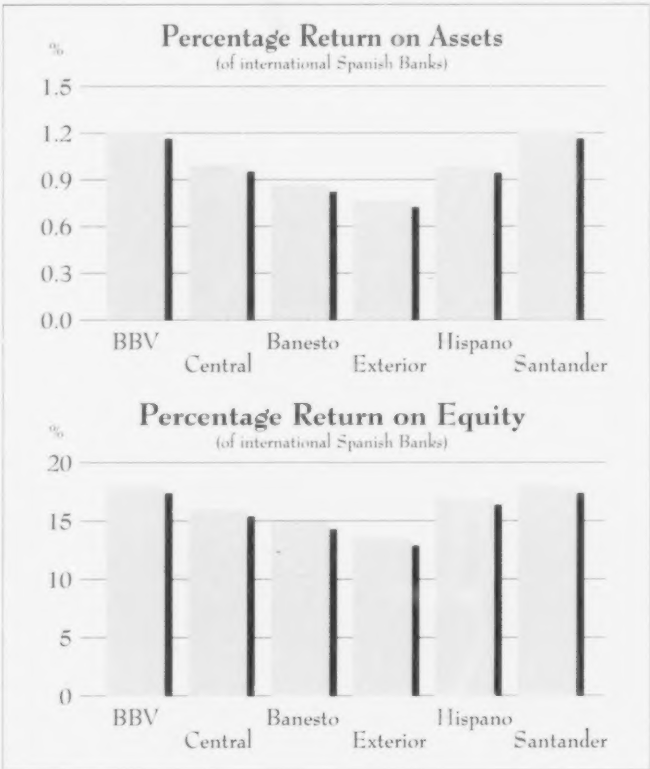

Net Income – after Tax & Provisions
(of international Spanish Banks)

No merger is without its trauma and every organization which has been part of the process has its own story to tell. BBV is no exception. Despite the enormous efforts to communicate with personnel and outline the long-term objectives of the new banking group, unforeseen obstacles appeared during many phases of the process.

From the beginning, the concept of a friendly merger of equals was the path that both banks and their personnel were to follow. After all, they were banks with a common Basque heritage and were both located in Bilbao; Banco de Bilbao having been founded in 1856, and Banco de Vizcaya in 1902. Many of the directors and personnel had family ties, and ostensibly all the ingredients existed to make this an ideal combination. Such was the spirit of cooperation, from the outset, towards meeting the merger objectives, that both Chairmen of the respective predecessor banks agreed to assume joint Chairmanship of BBV during the first four years of the merger. José Angel Sánchez Asiáin was to be the "primus inter pares" for the first two years, with the roles reversing, and Pedro Toledo assuming this position in the ensuing two years. The path to a model merger was clearly established. But, just fifteen months into the merger, BBV encountered a major obstacle: the untimely death of Pedro Toledo, in December, 1989. In order to overcome the impact of this tragic occurrence and not to lose the momentum that the merger had generated, Emilio de Ybarra was appointed Chairman. A seasoned banker, de Ybarra had the experience and ability to continue to unite the two organizations. Together with Alfredo Sáenz as the First Deputy Chairman and José Javier Gúrpide as the Second Deputy Chairman, the team was eminently suited to lead BBV into the fulfillment of the Sánchez Asiáin and Toledo vision for a major world-class Spanish financial group.

It has been three long years for BBV. As in any merger process, especially one of such magnitude, disruption is a necessary part of the process. BBV was challenged by the need to integrate a total of 32,900 employees, 3,216 offices, as well as data-processing systems, cultures, policies, while simultaneously achieving the consolidations necessary to the economies of scale as envisaged. Dedication and cooperation of personnel throughout the organization was essential. In the continuous process of restructuring, relocation and reevaluation, BBV has had to fine tune its progress whilst on the move, since in Spain there was no precedent for a bank merger of this size.

In the 1990's, large mergers seem to be common place. In many countries, especially in the U.S., megamergers are no longer looked upon in awe. In fact, those of Bank of America with Security Pacific to form a combined banking institution of $195 billion in total assets, and Chemical Bank with Manufacturers Hanover for a total of $135 billion, are expected to be completed shortly and nobody shows any surprise. But in 1988, the only other bank merger of comparable size was that of the Bank of New York and Irving Bank Corporation in New York, also the largest in the U. S. at the time, and one which was to create a bank with consolidated assets of $45 billion. Since that time, BBV has grown from the equivalent of $65 billion to $87 billion in total assets; BBV group profits after taxes and provisions have increased from $530 million to $730 million.


Percentage Return on Assets
(of international Spanish Banks)
Percentage Return on Equity
(of international Spanish Banks)

Unlike many mergers where the first measure to be taken is that of large personnel reduction, BBV has expanded its business, absorbing much of the excess of personnel generally created by mergers. This policy, which is clearly more suited for the Spanish labor market, has meant that personnel numbers have only declined by 2,900 or 8.8 percent to the present 30,000 level since the merger began. By American standards this may appear to be small, in comparison, for example, with the savings achieved by Bank of New York (its merger reduced the number of employees from 20,000 to the present 12,600). Other sizeable personnel reductions envisaged in the forthcoming Bank of America with Security Pacific, and Chemical Bank with Manufacturers Hanover mergers, are additional examples of how large American consolidations differ from that of BBV in Spain.

Meanwhile, in Spain, the announced merger of Banco Hispano Americano with Banco Central is expected to take place shortly, creating an organization with assets equivalent to $91 billion. As if this was not enough, the subsequent formation of the Corporation Bancaria Española, an entity for holding all of the Spanish Government's financial affiliates, makes another group with total assets of some $96 billion. All of these events which have taken place during 1991, represent a continuation of the consolidation process to which BBV was in the forefront.

Now that the BBV merger process has been successfully completed, the Group is poised to take commercial advantage of its matured and consolidated base. While its position as the largest Spanish bank has been somewhat eclipsed by the creation of the Corporation Bancaria Espanola and the expected formation of Banco Central Hispanoamericano, BBV is three years ahead of the pack, this is undoubtedly an advantage when considering the rapidly changing environment creating even greater pressures for mergers and the disruptive period that accompanies them.

It is no small feat that during this whole process BBV's performance has consistently been amongst the best in the world. This achievement during the merger clearly establishes the value of the BBV franchise for future growth, expansion and profitability. With the globalization of the financial markets, BBV's global participation with the major players will enable it to maintain its prominent position, with service to both the domestic and the international customer, a major priority in striving to achieve enhancement of shareholder value. Ω

RAYMOND E. C. SURGUY *is Assistant General Manager of Banco Bilbao Vizcaya, S.A.*

For further information call 1-800-4BBV-NYC or from within New York City at 826-1320

Doing Business in Spain

Foreign Investment laws in Spain continue to be liberalized

BY JOSÉ W. FERNÁNDEZ & MARCEL J. MOLINS

SPECIAL REPORT

Foreign investments in Spain are governed by Royal Decree 1265/86 of 1986, as amended, and its implementing regulations (collectively referred to as the "Foreign Investment Law"). Under this legislation, a foreign investment may require prior governmental approval or verification and must be registered with the foreign investment authorities. A foreign investor may make a "foreign investment" in Spain by means of a contribution in foreign currency, capital equipment, industrial property rights, know-how or technical assistance.

Approval/Verification and Registration.

Under the Foreign Investment Law, a foreign investor does not need to obtain prior governmental approval or verification before investing in a Spanish company in which foreign equity participation after the investment will not exceed 50 percent. The Law further provides that no prior approval or verification is required to invest in a Spanish company if the foreign investment amount does not exceed 25 million pesetas (approximately U.S. $240,000), irrespective of the resulting foreign equity participation in the Spanish company.

Subject to this exception, a foreign investor must obtain prior governmental verification to invest in a Spanish company if, as a result of the foreign investment, the foreign equity participation will exceed 50 percent. The verification procedure is a straightforward notification procedure in which verification is automatically granted if the Spanish foreign investment authorities do not respond within 30 days after the date of filing. Prior governmental approval is required only for investments made in any of the restricted sectors: gambling, national defense, television and radio, and air transportation.

Forms of Business Organization

Spanish law contemplates various forms of business organization: branches, general and limited partnerships, limited liability companies and corporations. Foreign corporate investors usually organize their local activities through either a branch (sucursal) or a corporation (sociedad anonima or "S.A.").

Foreign investors commonly organize a Spanish branch when their local activities will be limited to marketing products or providing support services. Although branches are treated as independent taxpayers for Spanish tax purposes, they do not constitute a separate entity for other legal purposes (e.g., limited liability). Moreover, branches have traditionally been perceived as vehicles for carrying out specific projects in Spain; therefore, they were thought to be inappropriate where local market commitment is commercially important. However, this perception is changing with the advent of Europe 1992. Moreover, numerous foreign investors now operate in Spain through branches to take advantage of its preferential tax treatment.

Incorporation

The incorporation of a Spanish corporation requires a notarized public deed and its registration in the Commercial Registry. The minimum number of founding shareholders is three. There is a registration tax equal to 1% of the par value of the subscribed shares.

Capital

The new Business Companies Law provides that a Spanish corporation must have capital of at least 10,000,000 pesetas (approximately U.S. $105,000). Upon incorporation, the shares must be completely subscribed and paid in an amount not less than 25 percent of their par value. All outstanding non-cash contributions must be paid within five years.

Management Structure

The management of a Spanish corporation may be vested in one, two or more managers. Whenever the management of a corporation is entrusted to two or more managers jointly, they must act as a board of directors. A director may remain in office for a maximum of five years and may be reelected for a maximum additional five year term. Management powers may be delegated to one or more directors (consejeros delegados) or to non-director managers (gerentes). Any such delegation should be evidenced by an appropriate

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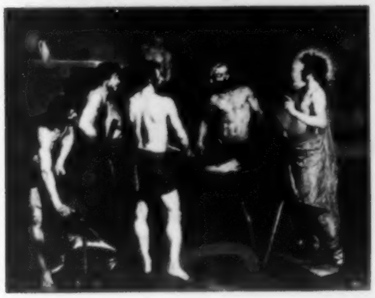

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Income Tax

A Spanish corporation will be subject to corporate income tax in Spain on its world-wide net profits at the flat rate of 35 percent. Losses may be carried forward for five years. At present, dividends remitted to a foreign shareholder are subject to dividend withholding tax at the rate of 25 percent, however, Spain has a tax treaty with the U.S. (The Tax Treaty for the Avoidance of Double Taxation) whereby the dividend witholding rate applied to U.S. shareholders is either 10 percent or 15 percent depending on certain factors. In contrast, the after-tax profits of a branch may be remitted to its home office free of any withholding tax.

The withholding tax on royalties, interest and similar payments made abroad is generally 25 percent, but under the treaty, it can be as low as 5 percent.

Exchange Controls

Under the Spanish Exchange Control Law (Law 40/79 of 1979), all foreign exchange transactions are subject to government control. "Foreign exchange transaction" is defined broadly and includes, inter alia, "a non-resident acquiring or disposing of any right or asset situated in Spain; a resident entering into any transaction under which he may become a creditor or debtor of a non-resident, or the disposing of any such right or obligation; a non-resident acquiring or disposing of assets denominated in pesetas; and a resident paying or receiving payment from a non-resident."

As a general rule, the Exchange Control Law requires prior administrative authorization for all payments and receipts between residents and non-residents (Royal Decree 2402 of October 10, 1980). However, this requirement will not be applicable if the underlying transaction has been "liberalized" or specifically approved. For example, no additional authorization will be required to remit:

(a)the royalties and other fees accruing under a registered transfer of technology agreement;
(b)the profits arising from a registered foreign investment; or
(c)the purchase price of imports covered by a valid declaration or license.

To remit funds abroad, a party must submit all supporting documents to the particular bank which intervenes in the transaction. Upon verifying that these documents support remittance, the bank will make available the corresponding foreign exchange. If the documents contain any irregularity, the bank must report to the General Directorate of Foreign Transactions ("GDFT").

Transfer of Technology

The Spanish Transfer of Technology Law (Royal Decree 1750/1987) generally provides that contracts contemplating the importation of technology or the use of foreign-owned patents, trademarks, know-how, business or industrial software and franchise agreements be submitted to the GDFT for "administrative verification." Failure to obtain such verification could prevent the remittance abroad of "royalties" or similar payments in foreign currency.

Under the Transfer of Technology Law, the GDFT is empowered to review only the reasonableness of the consideration stipulated in the contract. If, upon reviewing the contract, the GDFT determines that it contains clauses which may violate the Spanish or EEC Competition rules, it will refer the application to the appropriate antitrust authorities. However, such action does not affect the verification of the contract for transfer of technology purposes.

To obtain verification, the resident must complete and file an application form with the GDFT, along with the documents, in duplicate, which evidence the transaction (e.g., contracts or invoices). If the GDFT does not object to the contract or request additional information within 30 days after the date of filing, the contract will be deemed "verified." Upon verification, the resident may remit payments abroad through any Spanish bank. The verification is valid for a maximum period of five years. Upon the expiration of this period, the GDFT will renew the verification upon request.

Imports and Duties

To import any product into Spain, the importer must have first obtained an import license from the General Directorate of Exportation in the Ministry of Commerce ("GDE"). Alternatively, if the product falls within a category of products which have been "liberalized", the importer need only file a prior declaration with the GDE.

To obtain a license or file a declaration, the importer must specify, inter alia, the applicable payment terms. If these terms require an advance payment of the purchase price, the importer should indicate this requirement. Generally, the GDE will authorize such prepayments upon request. The GDE should automatically accept a declaration, provided that all other applicable legal requirements have been satisfied.

In general, an importer must pay duty and value added tax upon importing products into Spain. Duty rates are based on the nomenclature number and the origin of the products being imported and the rate of the value added tax is generally 12 percent. Also, the duty and value added tax apply only to permanent imports.

Temporary imports are subject to prior authorization from the Import Office of the Ministry of Economy and Finance. Authorizations for temporary importations are granted for a maximum period of two yearsand are renewable for one additional year. No duty or value added tax is assessable on temporary imports unless they are not re-exported from Spain within the applicable period. Ω

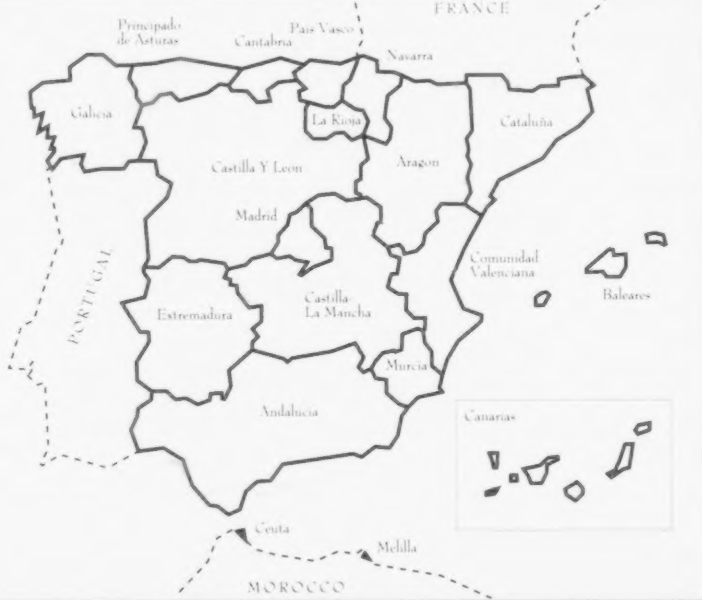
The authors are partners at the law firm of Baker & McKenzie.

Spain's Autonomous Communities (Regions)

Region & Capital	Pop. (M)	Tot'l For'gn Investm't 1990 ($M)	Percent of Spain's GDP 1989	Principal Industries
Andalusia, *Seville*	6.9	982	12.8%	*Tourism, manufacturing, shipbuilding, processed food, fruit, vegetables, cattle*
Aragon, *Zaragoza*	1.2	243	3.4%	*Services, metal products, transportation equipment, machinery, processed food, fruit, vegetables, wine*
Asturias, *Oviedo*	1.1	91	2.7%	*Services, minerals, steel, coal, mild*
Balearic Islands, *Palma de Mallorca*	0.7	248	2.9%	*Tourism, leather products, costume jewelry*
Basque Country, *Victoria*	2.2	508	6.0%	*Services, steel, home appliances, shipbuilding*
Canary Islands, *Santa Cruz de Las Palmas de Gran Canaria*	1.5	374	3.8%	*Tourism, refined petroleum, potatoes, bananas*
Cantabria, *Santander*	0.5	27	1.3%	*Services, metal, chemicals, milk products*
Castilla-La Mancha, *Toledo*	1.7	83	3.4%	*Services, minerals, chemicals, processed food, beverages, wine, vegetables, cereals, sheep, goats*
Castilla Leon, *Valladolid*	2.6	125	6.8%	*Services, energy, chemicals, metals, processed food, sugar, legumes, cereals, cattle*
Catalonia, *Barcelona*	6.1	5.370	19.3%	*Tourism, high technology, electrical equipment, transportation equipment, chemicals, paper, textiles*
Extremadura, *Merida*	1.1	21	1.8%	*Services, processed food, vegetables, tomatoes, cereals, cattle feed, cork*
Galicia, *Santiago de Compostella*	2.9	96	5.9%	*Services, metal products, shipbuilding, fish, milk products, corn, forest products*
La Rioja, *Logrono*	0.3	25	0.7%	*Services, automobile parts, machinery, beverages, wine, fruit, vegetables*
Madrid, *Madrid*	4.9	8,261	15.0%	*Government, services, advanced technology, business equipment, pharmaceutical, publishing, robotics*
Murcia, *Murcia*	1.0	91	2.2%	*Services, metal products, processed foods, vegetables, fruit, tanned hides, wood, cork*
Navarra, *Pamplona*	0.5	398	1.5%	*Services, metals and automobiles, vegetables wine, forest products*
Valencia, *Valencia*	3.8	386	10.5%	*Tourism, footwear, furniture, toys, ceramics, automobiles, chemicals, citrus, rice*

Map of Spain

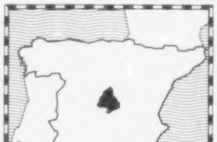
showing the Autonomous Communities and Regions


FRANCE
Principado de Asturas
Cantabria
Pais Vasco
Navarra
Galicia
La Rioja
Cataluña
Castilla Y Leon
Aragon
Madrid
PORTUGAL
Comunidad Valenciana
Baleares
Extremadura
Castilla-La Mancha
Murcia
Andalucia
Canarias
Ceuta
Melilla
MOROCCO

Madrid 1992, European Cultural Capital

Not only the "Natural Capital" of Hispanic culture, it is also a thriving business center

SPECIAL REPORT

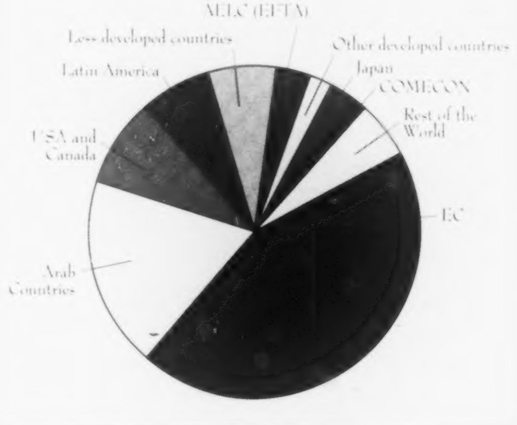


The area of Madrid which enjoys the status of an Autonomous Region, has over 5 million inhabitants; 3 million of which live in the capital.

The Community of Madrid is the second most industrialized region in Spain. The gross added value generated by Madrid's industry amounts to 12 percent of the Spanish total in several fields: transport materials, paper and graphic arts, and electronic materials. In the chemical and pharmaceutical industry, it contends for leadership only with the powerful Catalonian Community.

Nevertheless, it is in the field of services where the Autonomous Community of Madrid clearly takes over the rest of Spanish Regions. We must bear in mind that most large Spanish holdings are based in Madrid, and this brings about a flow of services or the so-called "head-office effect" with a remarkable multiplying results. For instance, five of the seven large Spanish banks are based in Madrid, as well as 80 percent of Spanish companies with the highest turnover figures.

Destination of Madrid Exports, 1984



As to foreign investment, both important banks and leading consulting firms have established their headquarters in Madrid, from which they often control their operations in this part of the world.

It also happens quite frequently that large multinationals choose Madrid as a base for operations with Spanish American countries, due to the close links with these countries.

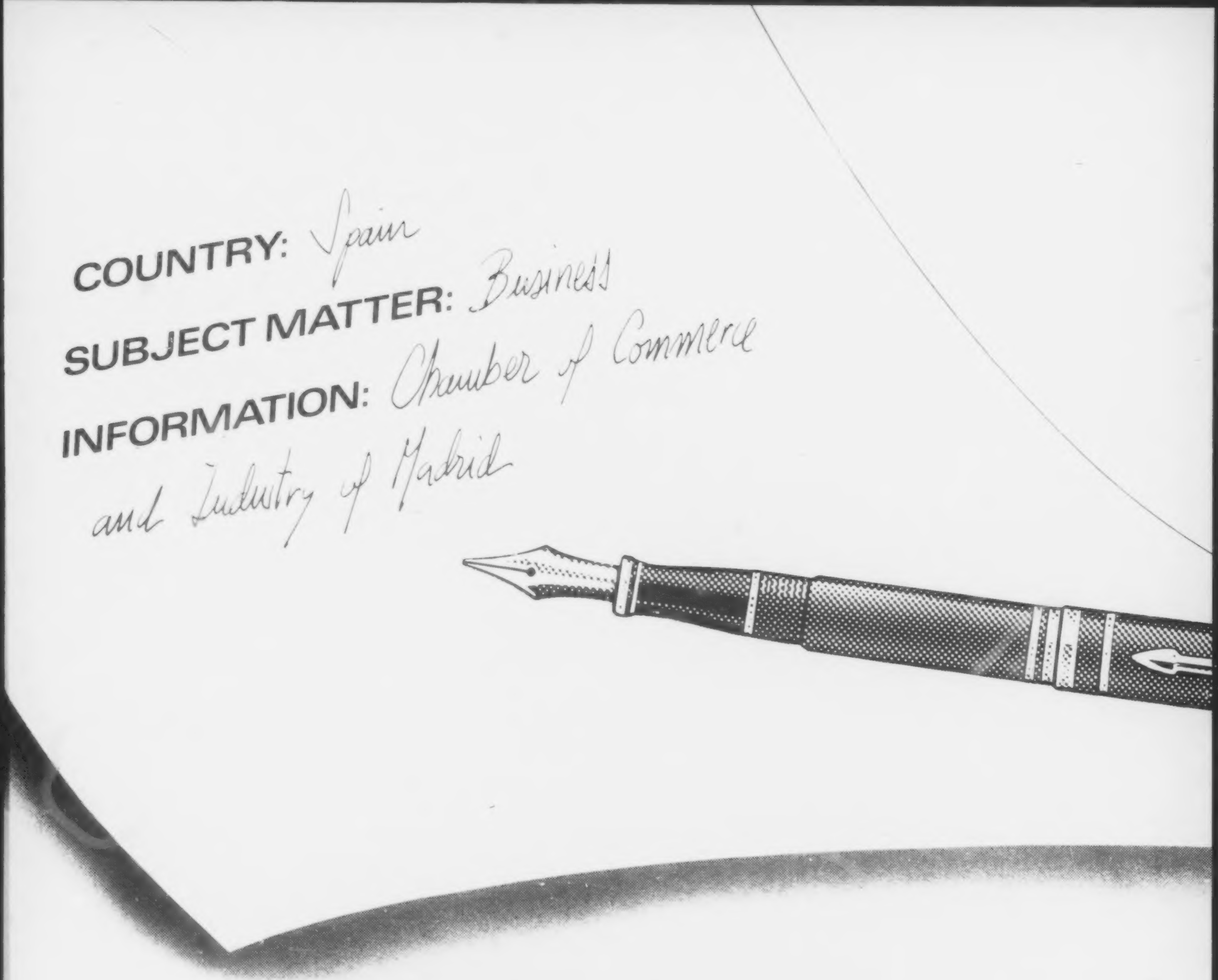
Madrid's airport, Barajas, is the most important airport in the Iberian peninsula and provides a crucial air link between Europe and Spanish America.

Madrid also houses the recently completed Juan Carlos I Trade Fair Grounds, which is considered Europe's most modern precinct. For these reasons and more, 40 percent of Spanish foreign trade is carried out in Madrid. In addition, 84 percent of Spain's stock transactions (and there are three other stock markets in Spain) occur in Madrid as well.

To speak about the service industry in the Community of Madrid is to speak about the unquestionable motor of the Region's economy, and the area with the highest share of the nation's gross domestic product (GDP). The service industry accounts for about 75 percent of the Region's GDP and employs 70 percent of the active population in Madrid. It also makes Madrid the decision-making center for Spanish political and economic activity, and the recipient of 46 percent of total foreign investments.

We will now quote the President of the Chamber of Commerce and Industry of Madrid, Mr. Adrian Piera, in his presentation of the annual report for 1990:

> Once again the Chamber fulfills its customary obligation by presenting its Annual Report for 1990, the purpose of which is to inform Madrid's traders and industrialists about some of the numerous and various activities carried out throughout the year.



COUNTRY: Spain

SUBJECT MATTER: Business

INFORMATION: Chamber of Commerce and Industry of Madrid

YOUR FIRST STEP TO DOING BUSINESS IN SPAIN.

The Chamber of Commerce and Industry of Madrid has more than 300,000 members and over 100 years of experience in the service of companies. If you are thinking of making business contact with Spain, then this organization can supply you with any information you may need about the Spanish market, along with technical, legal and commercial advice; help with documentation; promotions; investments...

The Chamber can help you take the first step and give you the fullest and most exhaustive information about your future market.

Chamber of Commerce
and Industry of Madrid

Head Office: Huertas, 13. Madrid 28012. Phone no. 538 35 00. Fax 538 36 77

After reaching its centennial in 1988, the Chamber keeps giving proof of its efficiency in responding to the new requirements of a modern economy, in promoting trade, industry and services and defending their interests. To achieve these goals, this institution has taken an active part, not only in the debate over the most important economic problems of Madrid, but also in those of Spanish society and economy, as an integral and basic part in the current European scene.

One year after the start of our new service, the "Eurowindow," the main purpose of which is to supply information, advice and reply to inquiries by firms on matters concerning the European Community, the results could hardly be more encouraging, judging from the number of inquiries (over a thousand) received over this period.

Among the various aspects of international relations, promotion of foreign trade is to be highlighted as one of the most important goals of this Chamber. Spain still has a very high trade deficit, for which business cannot be held basically responsible. In this juncture, an energetic and resolute strategy must be adopted to support the presence of our products and our companies in the international markets, particularly in the European markets. In order to encourage and stimulate international business operators and exporting or potentially exporting firms, the Chamber of Madrid has started several aid and support projects. These range from advisor aspects to the actual management in the promotion of exports, the opening of new markets and taking part in fairs, among others. All this work is efficiently supported by the scholarship students in foreign trade sent every year by the Chamber to those countries where their work is most needed. All this has not prevented the Chamber from paying close attention to training activities, a must for the good performance of companies, especially small and medium-sized ones. In this respect, not only the high amount of training courses given is noticeable, but also their contents, knowledge of which is absolutely essential in applying new techniques for the development of economic activity and firm management. Furthermore, such is the volume of training activities that this Chamber has had to promote the construction of a modern building that will house the newly created Training Center, equipped with the best and most advanced materials and media, and staffed with an increasing number of highly qualified teachers.

Another noticeable aspect has been the great effort to meet the standards this Chamber has imposed itself in getting closer to the businessman in time and efficiency. We have completed a vast computerization program that already includes all services, supported by institutions with the most advanced technology in economic forecasts and data banks, and have created other programs that will start working in 1991, such as the videotext and videoconference. Along the same lines, in 1990 our new branch office at Alcala de Henares was opened and put at the disposal of all the enterprises of that important industrial area.

I welcome this opportunity to express my most sincere gratitude to all Central, Local or Community Government officials for granting their support to our work. They have shared tasks entrusted to us in the service of a community to which we are entirely devoted. This feeling of gratitude must be extended to the Members of the Board, for their untiring efforts; to the Chamber's staff and to so many people who contributed, most generously, often anonymously, their help and cooperation. As for those who have departed, they will remain forever in our memory.

Destination of Madrid Exports, 1984

Economic Area	*Value in millions of pesetas*	*%*
EC	582,624	44.38
Arab Countries	243,971	18.58
USA and Canada	113,324	8.63
Latin America	90,062	6.86
Less developed countries	87,865	6.69
ALEC(EFTA)	42,577	3.24
Other developed countries	29,699	2.26
Japan	28,055	2.14
COMECON	24,927	1.90
Rest of the world	69,641	5.32
Total	1,312,745	100.00

SOURCE: *Regional Government of Madrid "Estructuras del Comercio Exterior de la Région de Madrid, 1986"*

List of Spanish Companies with Largest Foreign Stockholding and Headquarters in the Region of Madrid *(By investment volume)(August 1987)*

Company	*Sector*
Galerias Preciados	Department Stores
General Motors España, S.A.	Vehicle
Mercedes Benz España, S.A.	Vehicle
Standard Eléctrica, S.A.	Electronic
Antibióticos, S.A.	Pharmaceutical
Hornos Ibéricos, S.A.	Cement
Unilever España, S.A.	Sundry
Industria Española de Aluminio S.A.	Metals
Philips Ibérica, S.A.E.	Electronics
Fábrica Española de Magnetos, S.A.	Electrical material
IBM	Computers
Alcampo, S.A.	Department Stores
Banco Arabe Español, S.A.	Banking
Europistas Concersionaria Española	Public Services
Ibérica de Electrodomésticos, S.A.	Household Goods
Banco de Descuento, S.A.	Banking
Citibank España, S.A.	Banking
Inmura, S.A. y Cia	Construction
John Deere Ibérica, S.A.	Vehicle
Rio Tinto Minera, S.A.	Chemical
Banco de Finanzas, S.A.	Banking
Nueva Asociación para Nutrición	Food
Tarragona Química, S.A.	Chemical
BNP España, S.A.	Banking
Manifacturas Fotográficas Españolas	Chemical
Promotora de Hipermercados, S.A.	Department Stores
Upjohn Farmoquímica, S.A.	Chemical
Empresa Nacional de Autocamión	Vehicle
Banco Hispano Americano	Banking
Laing Ibérica, S.A.	Construction

SPECIAL REPORT

October 3, 1991

Letter to The Business Link readers

Dear Friends:

In Spain, AT&T has found good partners, good employers, and a business environment conducive to both high technology manufacturing and the rapid improvement of international communications.

AT&T has offered international telephone communications between the United States and Spain for more than half a century, but it was only four years ago that we opened our first factory in Spain. We are pleased with the results.

AT&T now employs 3,000 people in Spain, including those who worked for NCR before the recent acquisition.

The first factory, called AT&T Microelectrónica de España, began as a joint venture with the Spanish government and Telefónica de España and is now completely owned by AT&T. Located in Tres Cantos near Madrid, the factory shipped its first chips in 1987. The factory manufactures custom chips for AT&T's use and for our customers. We are very pleased with the quality of the work and the ability of our Spanish employees to produce a high technology product. These employees are making sub-micron chips, the most advanced technology.

Our satisfaction with our Spanish plant was demonstrated recently when we selected Spain as the location for another factory. This factory, a joint venture with Amper called Network Systems España, will begin shipping telecommunications equipment in 1992.

Of course, AT&T has continued to improve communications between the United States and Spain. We are just completing installation of an undersea fiber-optic cable, TAT-9, that connects the United States and Canada to Spain, France and the United Kingdom. Service on the cable should begin in early 1992. We have plans for another fiber-optic cable from the U.S. and Mexico to Spain and Italy in 1994.

And we have expanded service offerings between the U.S. and Spain, introducing toll-free calling, dedicated and dial-up digital circuits, as well as USADirect service.

For companies wishing to expand into Europe, I recommend they take a look at Spain. It has been the right choice for us.

Robert E. Allen
Chief Executive Officer
AT&T

The Barcelona '92 Olympic Games, A Boost to the Spanish Economy

BY JOSEP MIQUEL ABAD

SPECIAL REPORT

Little more than a year before they take place, the Barcelona '92 Olympic Games are set to become much more than an important event in the sporting calendar. The traditional hospitality of the Spanish people, the consolidation of the Olympic ideals as an instrument of universal harmony and the realization of Barcelona's 60-year dream of organizing the Olympic Games have generated a strong sense of identity with the Olympic movement. Sport in general and the Olympic Games in particular, enjoy massive popular support. For this reason, the 1992 Olympic Games will be a tremendous celebration in which the warmth of the people of Barcelona will without doubt play an important part.

The Barcelona '92 Olympic Games will also serve to reunite the Olympic Family after a long period in which they have been affected by events outside the world of sport; they will be the Games of Communication, with an estimated audience just for the opening ceremony of 3,500 million people; and they will be the Games where our motto "Friends for Life" will reach its maximum expression as we offer the whole Olympic Family and the public in general an unforgettable stay in Barcelona, Catalonia and Spain.

The Games have also become an important boost to the Spanish economy and a stimulus to capital investment from both internal and external sources, with investors very much focusing their attention on the Barcelona area. The Games have encouraged the Spanish business community to take financial risks, to multiply investment and to form associations with foreign capital in order to successfully meet the double challenge represented by the 1992: the single European market and the reactivation of the Spanish economy.

The Spanish market is going through a period of reactivation, the fruit of appropriate economic policies combined with impressive creative vitality at all levels. In 1990, the growth rate of the Spanish economy surpassed the already notable rhythm registered since 1986.

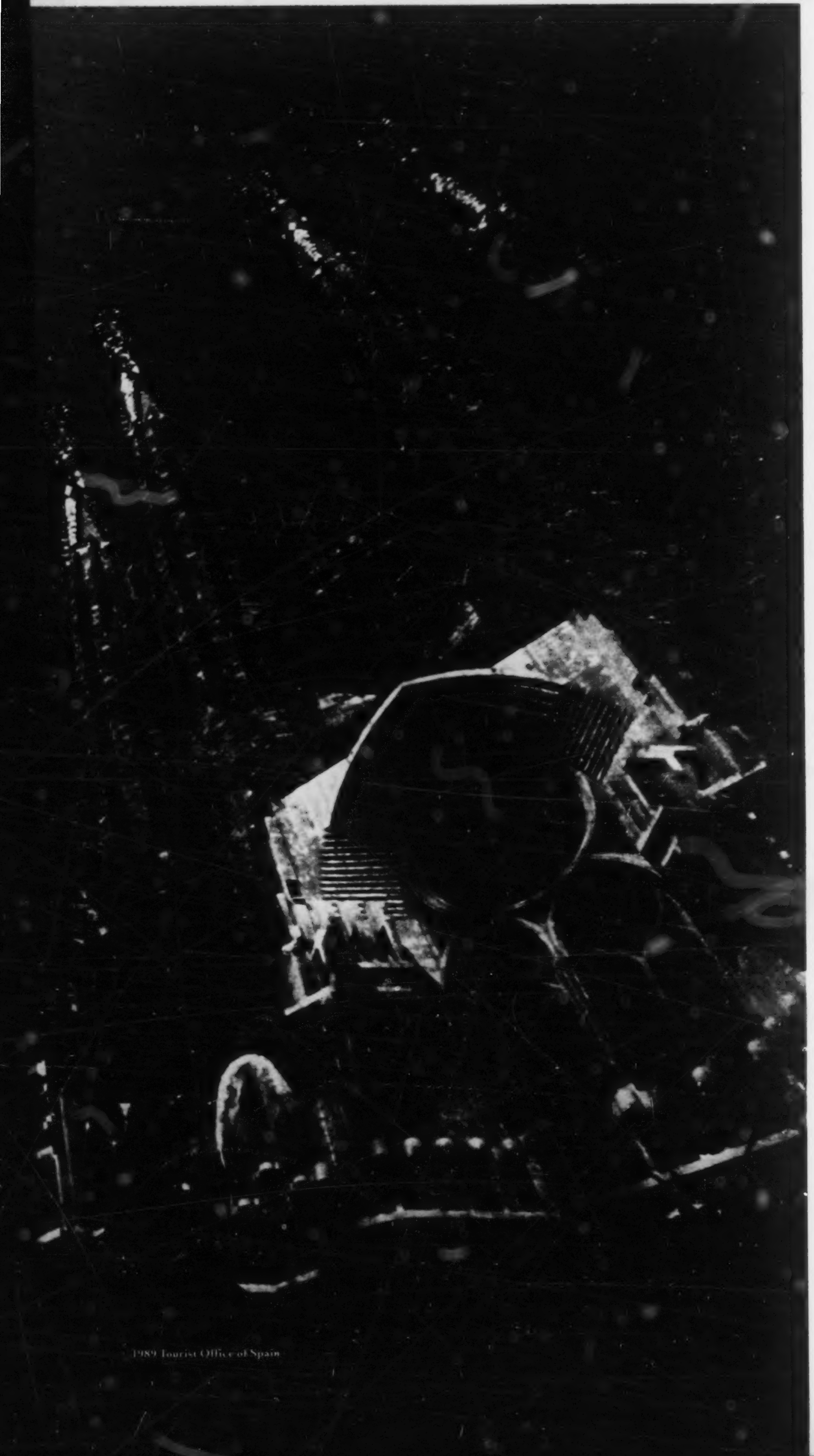
Foreign companies have found Barcelona to be an ideal location in which to establish their businesses, thanks to its excellent communications and proximity to the rest of Europe, to the availability of a well-qualified workforce, to the existence of a solid economic structure, to the technologically advanced levels of the region and to the existence of a social environment which guarantees the success of new enterprises. Within this context, the organization of the Olympic Games has become a determining factor in the reactivation of the Spanish economy.

This is demonstrated by the size of direct and indirect investment which has been made around the concept of Barcelona '92, calculated at $24 billion. The size of this investment, the extensive construction work on local infrastructure and their effects over the whole territory testify to the fact that the Olympic Games have brought to Barcelona one of the largest development schemes presently under way in the whole of Europe. The growth of the Olympic Games in recent years has been astounding with more national Olympic committees taking part, more athletes and more sports. And increased presence on the part of the mass media: huge television audiences, greater coverage and higher levels of interest in sponsoring the Games.

Other factors have also contributed to consolidating the position held by the work, image and future of Barcelona as we lead up to the celebration of the XXV Olympiad. One factor is the favorable climate of opinion in the world towards Spain and the confidence generated by the political stability established by its Spanish democratic system. Add to this the increased presence of Spain in international forums, the creative richness and vitality of the Spanish people and the expression "Spain is in fashion" becomes a palpable fact.

The 1992 Games will, according to all forecasts, surpass all previous records of participation and transmission. In 1992, Barcelona will truely create many "Friends for Life". Ω

JOSEP MIQUEL ABAD *is the Chairman of the Barcelona Organizing Olympic Committee (COOB '92).*



1989 Tourist Office of Spain

Imagine how impressive it will look when it's completed.

Your eyes eagerly explore the magnificent structure which towers hundreds of feet above you. You are mesmerized by its grandeur. And moved by the intricate stone carvings which eloquently convey the mystery and meaning of faith.

It is an architectural marvel of such magnitude that work on it continues to this day—more than a century after the legendary Gaudí conceived it.

Welcome to the international symbol of Barcelona. Welcome to La Sagrada Familia.

Spectacular though it is, your visual and emotional odyssey has only just begun. You will be enthralled by many other such wonders: the immortal Alhambra, mythical fortress of Granada. Córdoba's Great Mosque, with its endless arches and polished marble columns. The majestic masterpiece that is the Royal Palace of Madrid. The Alcázar at Segovia, perhaps the most breathtaking castle in all the world.

They are all here, awaiting the moment of your arrival. And you will savor every moment you spend with them. For each is an extraordinary destination along your journey of discovery.

Spain

Everything Under The Sun.

ESPAÑA

Murcia: A Reality in the 1990's

In the last decade, Murcia has made extraordinary efforts to develop its infrastructure in order to meet the demands of its fast growing economy

SPECIAL REPORT

Situated in southeastern Spain, on the Mediterreanean coast, the region of Murcia comes into sight as the region with enomous development potential, enhanced by its geographical situation, its climate and its economic dynamism.

Throughout the 1980's Murcia made great efforts, both in developing its infrastructure and modernizing the different sectors that make up the base of the regional economy.

Murcia's communications have become tightly connected with Europe by the Mediterranean motorway. To this should be added its air and sea communications, which together with its privileged geographical location, have converted the region into one of the most attractive areas in the south of Europe.

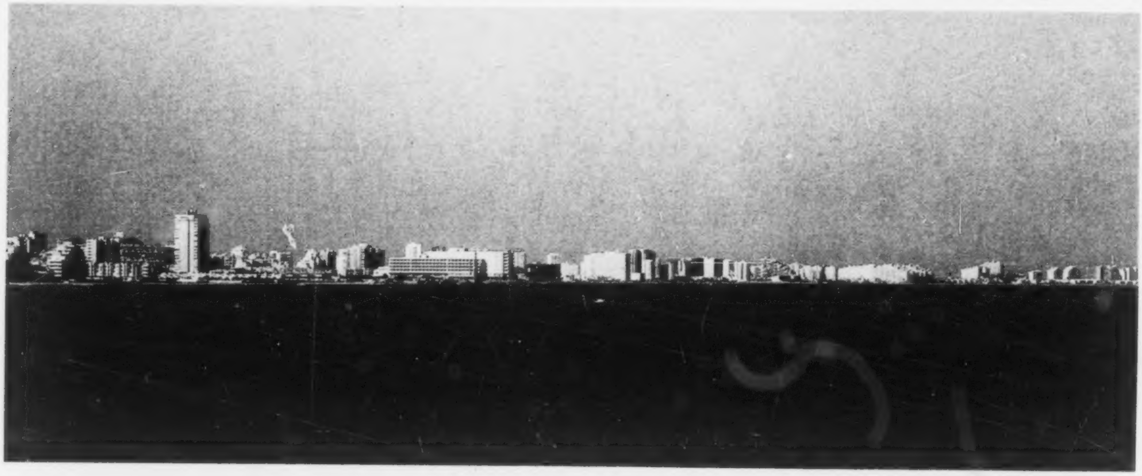
Murcia's economic activities show remarkable progress. The agricultural sector has been strengthened and modernized by incorporating new technologies. In turn, these have improved in the quality of its products and consequently, the agro-alimentary industry, a traditional activity of the region.

Improvements and new national and foreign investments in the chemicals and derivatives sectors, of which there is an important concentration in Cartagena, as well as in traditional manufacturing industries like furniture, tanned leather, metalgraphic, etc., have spectacularly strengthened the region's industrial fabric and allowed Murcia to face the decade of the 1990's with optimism.

Infrastructure and Resources

At present, the Region of Murcia has an excellent road network which is connected to the European motorway. The national Motorway Programme (1984-1991) has provided a motorway connection between Murcia and the French border and therefore, with the rest of Europe. To the south, the same motorway connects the Region with Granada, Almeria and Seville, Malaga and Cadiz, forming a continous roadway along the Mediterranean coastal strip. The completion of this direct motorway has been of enormous importance for the Murcian economy, one of whose main bases is the exporting of fresh products, which have to be delivered to foreign markets in short periods of time.

The same National Motorway Program has linked Murcia and Cartagena by a dual carriageway, which is vitally important in handling the heavy freight traffic



from the Port of Cartagena. This motorway continues towards Albacete and Madrid, with the several stages still in progress and due for completion in the near future.

The Central Government's ambitious investment plans in the national railway network, with the introduction of high speed trains and a change in the gauge, will greatly improve the present railway connections in the Region of Murcia. At present, the network is approximately 300-kms-long and links Murcia with the main Spanish cities, Madrid, Valencia and Barcelona.

By air, the region is connected with the main cities in Spain and Europe by daily flights from the San Javier and El Altet airports, both a half-hour drive from Murcia.

The Port of Cartagena is the most important in the region and due to its geographical location, one of the busiest in the Mediterranean. Because of its outstanding natural location, the industrial Port of Cartagena has been used since the time of the Phoenicians. It has two docks, Cartagena and Escombreras. The first is used for the transportation of general freight and containers, while the second is dedicated to solid and liquid bulks.

At present, both docks are undergoing important expansion projects to increase the capacity of containers and liquid bulks, in order to cover the growing demands of the chemicals and plastics sectors.

The Port of Cartagena also includes a bonded warehouse which is in the process of being expanded with large open air areas and covered areas to store merchandise.

Gas, Electricity and Telecommunications

The state company Enagas owns a regasifiction plant in Escombreras valley (Cartagena), which came into operation in 1989, with a gasification capacity of 55,000 N.m3 per hour.

In the initial phase, natural gas was supplied to the fertilizer companies in Escombreras valley and Cartagena and to the mining and metallurgic companies in the industrial belt of Cartagena. A gasoduct was built to facilitate industrial and domestic gasification in Cartagena and, in the future, it will be extended to other parts of the region.

Since General Electric, a company which consumes large quantities of natural gas, both as raw material and fuel, decided to establish themselves in Cartagena, and in view of the forecasts for industrial development in the Region of Murcia, Enagas is carrying out a complete investment program in its plant in Cartagena. This will increase the gasification capacity originally predicted by double or even treble.

The company Hidroeléctrica Española has a thermal power station in Escombreras valley, with a power generation capacity of over 800 mw. Murcia is also connected to the national high tension network (400 kw). The area of Cartagena is connected to the nuclear power station at Cofrentes (Valencia) and the thermal power station at Carboneras (Almeria). Electricity is distributed locally with tensions of 220 kv, 132 kv, 66 kv and 20 kv. In addition, the Region of Murcia offers great potential in renewable energy sources, such as wind and geothermal power and solar energy. The constant increase in communication demands for business and new domestic applications is causing extensive incorporation of new technology in the telecommunications sector.

All the telecommunications services, both conventional (telephone, telex, fax and mobile telephone) and advanced (videotext, data phone, data transmission, networks) are available in the region. A great investment effort is being made in the region to establish digital telephone centers and to modernize transmission systems by incorporating MIC systems and optic fiber. As a result, mobile telephone service is available in almost the whole region. Within the Star Program, developed by the EEC, the videotext system is being introduced, involving five offices of integrated telecommunications services (OSIT) distributed around Murcia, with more than 2,000 video terminals in local companies and institutions.

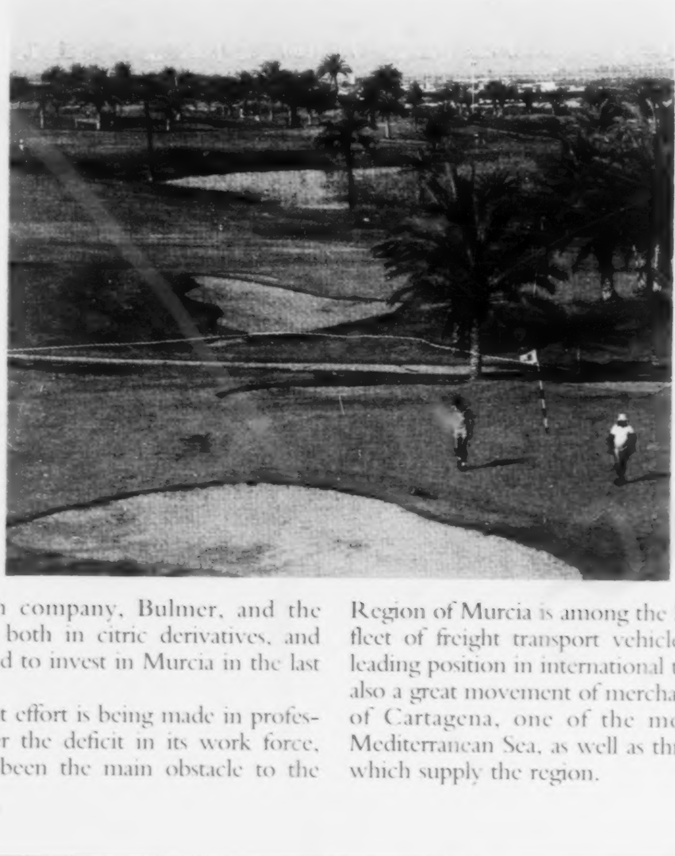
Industrial Sector

The most important industries of the region (chemicals, refinery, metal, wood and agro-alimentary), have maintained their traditional position in the regional economy, showing excellent growth rates. At the same time, other subsectors such as textiles, leather, shoes, marble and wine are undergoing improvement projects to increase their value and to prepare them to enter the new EC market. Therefore, the development of products with new designs, complete with improved image and quality, are being investigated; new marketing strategies that are more in accordance with market demands are being developed; and new buying and selling techniques are being applied.

The internal industrial development of the Region of Murcia, which was consolidated in the 1960's and linked since the beginning to the agro-alimentary industry, has determined a series of activities that have been fully implemented: canned vegetables, meat products, wines and mining. At the same time, new sectors are achieving an important position in the region's production framework: leather tanning, leather clothing, clothes making, metal products, concrete, building materials, chemicals, marble and wood. Finally, the presence of technologically advanced activities like biotechnology, pharmaceuticals and cosmetics are already notable.

The Regional Government has undertaken special measures to attract investments aimed at the chemicals, electronics and automobile subsectors, since Murcia can offer a range of comparative advantages for their developments above those of other Spanish regions.

In chemicals and its derivatives, mainly plastics, the region has an important business base in the area of Cartagena, where large national and international companies that are already established (Repsol, Ercros and General Electric among others) assist the performance of other similar companies.



The dynamic investment has greatly encouraged the presence of foreign companies in Murcia such as the American G.E. Plastics in the chemicals sector who is building a macroplant for the production of engineering plastics and silicones. GE's invesment of $2.5 billion has created 1900 jobs. Murcia is also home to the British Photobioreactors Ltd. in the biotechnology sector and the Italian Caglio Star, in animal enzymes. The British company, Bulmer, and the American Riverbend, both in citric derivatives, and others have also decided to invest in Murcia in the last two years.

In electronics, a great effort is being made in professional training to cover the deficit in its work force, which until now has been the main obstacle to the establishment of these industries. In addition, the creation of a technological park, aimed at electronics and advanced technology companies, will encourage the establishment of such companies in Murcia.

In the automobile sector, a French multinational company, Valeo, is already established. Owing to its geographical location, the Region of Murcia is in a strategic position to supply the large companies located on the Mediterranean axis, such as Ford, Volkswagen, Nissan, General Motors.

It is also worth noting that the figures for relative labour costs in the region are 25 percent below the national average. Employment and labor costs have contributed to a notable improvement in productivity, although in relative terms, it remains below the national average.

Services Sector

It is the service sector that contributes most to the regional GDP. In recent years there has been a positive increase in both production and job creation. This constant development is causing considerable changes in the region's commercial activity, owing to the appearance of large stores and the application of new sales systems and techniques. This new commercial framework is located around three main areas: Murcia, Cartagena and Lorca. Although this commercial framework is made up of premises with an average surface area of approximately 70 m2, this figure is tending to rise because of the gradual establishment of hypermarkets and supermarkets.

Regarding commercial specialization, more than 50 percent is dedicated to food products. In this context, the role of Mercamurcia stands out as the first and major central market that supplies the region.

An equal rate of growth has been registered in other subsectors within the services sector. The Region of Murcia is among the leaders in the size of its fleet of freight transport vehicles and has achieved a leading position in international transportation. There is also a great movement of merchandise through the Port of Cartagena, one of the most important in the Mediterranean Sea, as well as through the two airports which supply the region.

WHY
DO OTHER
AMERICAN
COMPANIES
CHOOSE
MURCIA?

REGION OF MURCIA - **SPAIN**

Because:

- The Single European Market is here!
- Our excellent communications with all Europe.
- Our privileged living conditions on the Mediterranean Coast.
- Our well trained labour force availability.
- We provide you with subsidies and soft loans for your investments.

Come to Murcia, contact us, and you will know why General Electric is building the biggest plastics plant of the world in Murcia.

INSTITUTO DE FOMENTO DE LA REGION DE MURCIA
C/. Garcia Alix, 17
Telf. (68) 29 94 98
Télex 67892 ICTO E
Fax (68) 29 95 48
30005 MURCIA (Spain)

Regarding tourism, the region has maintained a balance between offer and demand. This offer includes hotels and guest houses, tourists apartments and campsites. It is expected that the present growth rate in this subsector will be maintained because of long stretches of undeveloped coast and unexploited resources inland, .

Finally, it is worth noting the increasing presence of companies that offer their services to other businesses, based mainly in the urban areas de Murcia, Cartagena and Lorca. The banking sector includes all the national branches as well as the most important foreign ones. Attracted by this high level of economic development, consultancies (fiscal, investment, legal and business), financial services, computer-programmed assessment services, advanced communications as well as technical and engineering consultancies have recently settled in the region.

A Growing Region

Advanced technology has been introduced in the agricultural sector in greenhouses, flower growing, sophisticated irrigation systems and biotechnology.

Another unusual characteristic of Murcia's agricultural sector is its protection abroad, assisted by the long established exporting tradition of the region. Sales of agricultural produce constitute a large part of total exports, making a significant contribution to the surplus in the trade balance of Murcia.

Within the food processing industry, food preserves represents 60 percent of Spain's production, with the incorporation of the latest biotechnological advances. Rapid progress has also been made in the meat, wine, compound feed and essential oils industry.

The agricultural and industrial growth parallels the evolution of the service sector's growth, representing more than 50 percent of the regional GDP.

Sports tourism has discovered the Mar Menor as a unique natural setting for water sports. There are excellent golf courses, spas and the famous Sierra Nevada ski resort. Cultural tourists can also enjoy the richness of historical towns and rural villages

An optimum education and training environment plays an important part in the economic development of Murcia. The University of Murcia has Faculties of Economics, Law, Computer Science, Chemistry and Engineering. There are also important research centers.

In short, it can be stated that the geographical conditions of Murcia, its climate and its excellent infrastructure in services make it an ideal place for investment.

The Instituto de Fomento of the Region of Murcia as a development agency, possesses the adequate tools for supporting investments. One of its specific goals is the promotion of economic development and the improvement of competitiveness of local companies by introducing them to new production processes and emerging technologies.

To achieve this goal, the Instituto has different tools available such as soft loans, labor training programs and comprehensive site location studies.

Murcia is a preferrential area within the European Community and classified as Type I, where written non-refundable incentives are available up to 50 percent of the total investment. The Instituto is also the body in charge of evaluating the incentive applications.

Many companies have discovered the economic growth potential and investment dynamism that characterizes the Region of Murcia. Relatively low cost industrial land, a wide range of industrial services, a skilled labor force, a good labor climate, together with the highest living standards on the Mediterranean coast are some of the factors which make Murcia the right place to invest within the Europe of the 1990's. Ω

EXPO '92 Fuels $10 Billion Regional Development Effort

It is the largest in Europe, after Channel Tunnel

SPECIAL REPORT

Expo '92 is driving one the largest regional development projects of end-of-century Europe, second only to the Channel Tunnel which will connect England and France.

The beneficiaries of this investment of more of than $10 billion by the Spanish government are the Autonomous Region of Andalusia and it's capital, Seville.

Projects under way include a new high-speed rail link between Madrid and Seville, quadrupling the capacity of Seville's San Pablo airport and the construction of a new fibre-optic telecommunications system.

It is an investment not just for the six-month Exposition, which is expected to draw more than 18 million visitors to this two-thousand-year-old city, but also for the future of the entire southern region of Spain. The Exposition site is designed to become an academic, scientific and technological research complex after Expo '92 closes. Such companies as computer manufacturers IBM and Fujitsu, electronics firms Siemens and Rank Xerox, the Spanish phone company Telefónica and its affiliate Alcatel Standard Eléctrica, and Sevillana de Electricidad will remain on the site as part of this complex.

Expo '92 has already created 18,000 jobs

Andalusia, the southernmost region in mainline Europe, is a gateway to North Africa, the western Mediterranean and Latin America. The Spanish government hopes "to transform Seville and Andalusia into an economic center for the whole western Mediterranean" according to Emilio Cassinelo, the Commissioner General for Expo '92

To that end, Spain's first World Trade Center opened last January on the Expo site. The 247,000-sq.-ft. building is equipped with satellite communications and videoconference facilities, a 1,000-line telecommunications system to handle voice, data, videotext and a facsimile transmissions, conference facilities, fully equipped offices, and a full range of support services, from secretaries and drivers to interpreters.

Eighteen thousand jobs have been created so far in sectors connected with the infrastructure project. Expo '92 has also given rise to a broad-based worker training and education program that affects an additional 7,000 people.

A 300-mile stretch of high-speed railway line will come into service in spring 1992, connecting Andalusia to the rest of Europe and cutting travel time between Madrid and Seville to less than three hours, from six.

A new Madrid-Seville highway will halve travel time and join the Andalusian capital to the European road system. The entire regional road system is being upgraded. Drivers from Rome, Vienna or Copenhagen will be able to reach Expo '92 without leaving the motorway.

Seville's two railway stations have been replaced by a huge new station, called Santa Justa, in the southeast of the city. Work has been completed on seven new bridges over the River Guadalquivir, and the river water is being purified and recycled. A motorway, circling the city, has been completed.

Plans also call for an increase in the capacity of the Seville Airport to 4,600 passengers an hour, from 1,300. Capacity at nearby Malaga and Jerez airports also will expand significantly.

A new fibre-optic digital telecommunications network, meeting international regulations, will bring the region into the information age. Wide-band transmission equipment will link up with other networks via an earth satellite station.

In the 16th century, with its royal warrant giving it a monopoly of trade with the Americas, Seville was a wealthy and important city. The goal of this redevelopment effort is to make it, as it was in the days of Columbus, a hub of commerce and intellectual activity for the western Mediterranean. Ω

The South of Spain: A Gateway to the Future

As a high interest zone, this area will be the focus of business and growth opportunities in coming decades

SPECIAL REPORT

One key event provides the springboard for this privilege situation: Expo '92, the last Universal Exposition of this century, which is to be held in Seville. An event at which we can explore the crucial technological discoveries and advances that will shape the coming century. As a result, Andalusia has been transformed into a region equipped with a very sophisticated infrastructure consisting of state-of-the-art communications, energy and transport systems.

Cartuja '93 has been conceived to make the most of this extraordinary infrastructure and convert the region into one of the most competitive in Europe. It is a project that aims to create a scientific and technological complex, open to international cooperation, capable of launching and promoting technological innovation and research and development projects. Cartuja '93 is an experiment which is already set in motion that goes beyond a regional development program.

The New Development Profile

The Cartuja '93 project is a collective reflection on how best to reutilize the infrastructure and equipment left by the Universal Exposition. The project is an initiative of the Expo '92 State Company (SOGEXPO) and Andalusian Regional Government, working though the Institute for the Promotion of Andalusia (IFA). It will be located on the Isla de La Cartuja, site of Expo '92, equipped with immense technological potential and able to maintain the universal dimension which defines the Exposition.

Cartuja '93 gives the Exposition a sense of continuity, and will serve to bridge the world's centers of decision-making and scientific and technological production. The universal projection of Cartuja '93 will also be integrated into the productive fabric of Andalusia, given that one of the priorities of the project is to vitalize the technological development of the region.

To this end, the conception and design of Cartuja '93 is based on a series of studies on the economic and technological realities of Andalusia, as well as on international experience of the development and growth of other innovative milieus. These studies have been carried out within the framework of the Research Project into New Technologies in Andalusia (PINTA). They are the work of an interdisciplinary team of professionals from the Universities of Seville, Malaga and the Autonomous University of Madrid.

This team was led by two world experts on regional development and new technologies, Professors Manuel Castells, the Director of the Institute of the Sociology of New Technologies at the Autonomous University of Madrid, and Peter Hall, Director of the Institute of Regional and Urban Development at the University of California in Berkeley.

There will be three types of organizations at Cartuja '93:

- public, scientific and technological research institutions;
- large companies and industrial corporations;
- regionally based industries.

These organizations will be involved in research and development projects in the following areas:

- Telecommunications.
- Microelectronics.
- Advanced Automation.
- Robotics.
- Computer Sciences.
- Biotechnology.
- Renewable Energy.
- Environmental Technology.

Companies affiliated with EXPO '92

IBM
Telefónica
BBV
Banco Central
Banesto
Banco Hispano Americano
ALCATEL
Coca-Cola
La Cruz del Campo, S.A.
Fuji Film
Siemens
Rank Xerox
Philips
Fujitsu
Once
Tierras del Jerez
Primary Industries of Australia Ltd.
MAPFRE

EXPO '92: The Basic Facts

Host City: *Seville (Spain).*

Status: *Universal (1st Class) as defined by B.I.E. (International Exhibitions Bureau).*

Theme: *The Age of Discovery.*

Site area: *215 hectares (2,150,000 m2) (450 acres).*

Constructed Area: *50 hectares (500,000).*

Parking space: *over 40,000.*

Pavilions: *To be constructed by participating countries, international organizations, companies and the Autonomous Communities of Spain, as well as the organizer's theme companies.*

Participants: *More than 100 countries, many international organizations, 17 Autonomous Communities of Spain and up to 20 private companies.*

Opening date: *20th April, 1992, (Easter Monday).*

Closing date: *12th October, 1992. The anniversary of the discovery of America.*

Duration: *6 months (176 Days).*

Visitors: *18 million. (55 percent Spanish, 45 percent other.)*

Total visits: *40 million.*

Visits per visitor: *2.01.*

Visitors on a given day: *290,000.*

Means of access to site: *car, bus, train, boat, helicopter, horse-drawn carriage, pedestrian walkways.*

Investments in the surrounding infrastructure: *800,000 million Pts.*

Investments on site: *75,000 million Pts.*

350,000 trees and plants, over 400 different varieties, 35 km of hedges, 500,000 square meters of park land and gardens
30 km of on-site roadway
6 entrance gates
7 access routes: 4 vehicular, 2 pedestrian, 1 rail
7 new bridges over the Guadalquivir
16 entertainment venues
96 restaurants
51 shops
70 bars and cafes
3 monorail stations
3 cable-car stations

To coordinate these bodies, with each other and with the industrial, agricultural and service structures of Andalusia, there will be a number of center on the Cartuja Site.

A New Approach

The development model for Cartuja '93 is thus based on very concrete realities: First, it will re-use the infrastructure, both interior and exterior, inherited from the Universal Exposition, an event with a public and private investment program totalling over 5 trillion pesetas. Second, Cartuja '93 will take advantage of the network of international relations and contacts originated at the Universal Exposition—contacts which are multiplied if we take into account Spain's role as an intermediary between the European Community, Latin America and North Africa.

For these reasons, Cartuja '93 will consolidate its international dimension and will become an ideal framework (due to geographical, cultural, economic and political factors) for international technological co-operation projects. Furthermore, the international dimension of Cartuja '93 will increase the business and development prospects of all the companies which work within its milieu.

There will be a unified management structure for the urban environment of Cartuja '93. Even though the ownership of the land is shared between the State and the Autonomous Community of Andalusia, a public limited company has been constituted specifically for the purpose of administering the site. The shares of the company are divided between the State (51 percent), the Autonomous Community (44 percent) and the City Council of Seville (5 percent). The fact that the State is the majority shareholder in this company makes Cartuja '93 a State Project. This substantially differentiates it from other technological parks which are usually regionally based. Ω

Universal Exhibitions: a brief history

The first of the great modern international exhibitions was held in London in 1851. Such was its success that Paris was inspired to hold a succession of exhibitions, beginning in 1855 and continuing until 1937. Similar events were held in Vienna, Amsterdam, Brussels, Barcelona, Philadelphia, Chicago and elsewhere.

All attempted to capture the spirit of their time and place. London's Great Exhibition of 1851 was a celebration of the prosperity generated by the Industrial Revolution and an expression of the imperial ambitions of Victorian England.

Similarly in our own times, the Brussels Exhibition of 1958 reflected the reconstruction of Europe after the Second World War, Montreal in 1961 mirrored the Canadian national character, and Osaka's in 1970 symbolised the emergence of Japan as a major economic force.

To do business in the Spain of 1992, sign up for this card.

BUSINESS SERVICES CARD
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EXPO'92
SEVILLA
123456 78901 2340
VALIDEZ DESDE 04/92
HASTA FINAL 10/92
CARLOS TAMES

1992 is a big year for Spain: Madrid becomes Cultural Capital of Europe, Barcelona hosts the Olympic Games, and Seville the EXPO'92 Universal Exposition, the event of the century and one that means big business.

EXPO'92 is a unique opportunity to make business contacts with countless companies from all over the world. Start off with an advantage: apply now for your EXPO'92 Business Services Card. Not only is it your passport to the EXPO'92 World Trade Center (400,000 member companies the world over and part of the network of more than 200 World Trade Centers). It also entitles you to preferential access to the business services provided at EXPO'92 with you in mind. All this for just 50,000 pesetas (approx. $450).

Send off for your Business Services Card now. It shows you mean business.

EXPO'92 SEVILLA

WORLD TRADE CENTER

Send this coupon to: SOGEXPO, World Trade Center EXPO'92, Isla de La Cartuja, Seville 41010, Spain. For further information, fax: (345) 446 25 05.

Card-holder: .... *Company:* ....

Position in company: .... *Address:* ....

City: .... *Country:* .... *Ph:* .... *Fax:* ....

For 50,000 ptas. your card is valid from now on until the end of EXPO'92: for 25,000 ptas it is valid for 1 week during the EXPO'92 period (20 April - 12 October 1992).

Payable by:

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Strategic Location; Dynamic Investment

Centrally located and bordering France, Aragon boasts a surging economy and a natural thoroughfare to Europe

SPECIAL REPORT

The Autonomous Community of Aragon, to give the region its full title, is situated in the northeast of Spain, occupying a surface area of almost 48,000 sq. km., which represents 9.4 percent of Spanish territory. It has a population of 1,700,000 and is divided into three administrative units, namely the provinces of Huesca, Teruel and Zaragoza.

Its geographical situation gives Aragon a number of positive advantages with respect to its economic development. First because it has a common frontier with France. The distance to most of the countries which make up the European Community is, in comparative terms, much shorter than from other regions within Spain. Additionally, it is situated in the centre of the northeast quadrant of Spain, at a point where the vertices of the most developed areas of the country, that is to say, Cataluña (Barcelona), Valencia, Madrid and the Basque Country, coincide: these areas, taken together, constitute a potential market of more than eighteen million people within a radius of less than 400 km. To this should be added the fact that the Valley of the River Ebro, which passes through Aragon, has in recent years become the most dynamic area of development in Spain.

These factors, together with others such as ease of communications, workforce, etc., were instrumental in persuading General Motors to site a car production plant in Aragon at the beginning of the 1980's.

Percentage distribution of GDP

	Agriculture	*Industry*	*Construction*	*Services*	*Total*
Huesca	13.3	26.7	8.8	51.2	100
Teruel	10.8	41.5	7.7	40.0	100
Zaragoza	4.8	32.8	5.7	56.7	100
Aragon	6.9	32.7	6.5	53.9	100
Spain	5.5	26.3	6.7	61.5	100

Geographical Location

Aragon covers an area bigger than European Community (EC) countries such as Luxemburg, Holland, Belgium and Denmark. It makes up 9.44 percent of Spain's total land surface. Its exceptionally good location gives it some of the most profitable sites in Spain, in the center of the main development area, and a natural thoroughfare to Europe.

Economy

Since joining the EC, the Gross Domestic Product (GDP) of the Spanish Economy has felt a sharp rise. The accumulative growth in the three year period between 1987-1989 is the highest of all countries belonging to the OECD, bettering the EEC countries in general by several points. Growth in Aragon follows this trend.

% Gross Domestic Product Variation

	1986	*1987*	*1988*	*1989*
Spain	3.1	5.2	5.5	5.2
Aragon	4.1	6.1	5.0	5.0

The economic structure in Aragon is characterized by its high rate of industrialization.

Percentage of GDP

	Agricultural	*Industry*	*Services*
Aragon	6.3	38.8	54.9
Spain	5.0	33.2	61.8

The E.E.C. is the main market of Aragon. France, the United Kingdom, Germany, Italy and Portugal are the countries which are among its most important clients.

Aragon Trade Relations

	% Import	*% Export*
EEC	84.5	85.8
EFTA	6.5	4.4
USA	2.6	1.8
Other	6.4	8.0
Total	100.0	100.0

Regarding the consumer market, there are good prospects of a high growth, this is backed up by the growing development of Spain and its regions' economies.

Purchasing Power

	USA	*JAPAN*	*SPAIN*
GDP per Person	21,307	15,155	9,883
T.V. per 100 persons	79.0	56.3	32.2
Telephone per 100 persons	78.8	55.5	38.2
Cars per 100 persons	54.7	22.9	24.0
Trucks per 100 persons	16.4	14.3	3.9

Communications

Excellent communication by road and rail. Connection by turnpike and highway between the four main cities (Madrid, Barcelona, Bilbao and Valencia), within a radius of 187 miles. A good airport with national and international passenger flights and regular freight flights.

Market

30 million consumers, with a high purchasing power within a radius of 249 miles. An open door for your business in Europe with a single market of 320 million consumers.

Technology

An innovative and dynamic industrial network, aided by the Aragon Institute of Technology, the public bureau which helps promote research, development and the application of advanced technology.

Standard of living

High standards in educational, cultural and health service facilities combined with a pleasant climate, with many hours of sunshine, enables the full use of leisure time at the sports amenities in the nearby mountain and coastal resorts.

Infrastructure

Industrial zones are characterized by the absence of pollution. Natural gas is used on the main estates and there is a large area of industrial ground available, at a comparatively cheaper purchase price than the rest of Europe and even the rest of Spain.

Aragon's Industrial Structure

Industry	% *Production*	% *Employment*
Metal products and machinery	25.4	27.4
Power and electricity supplies	18.8	7.3
Transport material	16.1	10.9
Food products, drinks and tobacco	10.0	12.0
Textile, leather and shoes	7.7	15.8
Chemical products	5.5	5.9
Mineral and metal	5.4	6.5
Paper and printing	4.7	3.8
Wood, cork and furniture	3.4	3.9
Rubber, plastic and others	3.0	3.9
Total (construction excluded)	100.0	100.0

Labor Resources

Non-conflictive labor situation, with a well-trained blue-collar labor force, excellent technicians and management groups. Supported by Professional Training Centers, Technical Engineering Centers, the University and Higher Polytechnic Center. For specific training of company personnel, there are training schemes organized and financed by institutions, on demand.

The average level of pay for workers in Aragon, together with a qualified workforce with the ability to adapt, make a worthwhile difference when a company's production costs are broken down.

Wages	*Index*
EEC	100
Germany	119
Spain	77
United Kingdom	83
USA	123
Japan	137

Advice

The Aragonese Development Agency (Instituto Aragonés de Fomento), the Public Bureau for Development, and the Chambers of Industry and Commerce are at your service to answer any queries you may have and will gladly help you.

General Motors Corporation

JOHN F. SMITH, JR.
VICE CHAIRMAN

SPECIAL REPORT

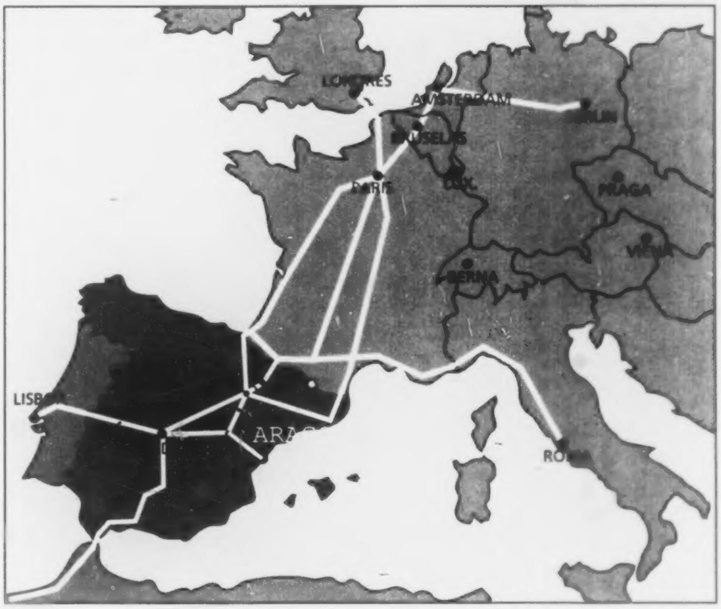
September 24, 1991

Spain has achieved an extraordinary rate of economic growth and social progress since entering the European Community in 1986, and General Motors is proud that we have had a role in it.

Recognizing the importance and potential of Spain well before this economic boom, General Motors selected Zaragoza and Aragon in 1979 as the location for a modern, high-technology automobile manufacturing facility. Since then, the region's skilled labor, supportive national and regional officials, and productive local industry have made it a very successful operation. It is now one of the most efficient car producers in the world. It is a strategic part of our pan-European automobile operations, and the sole producer of Opel Corsa and Vauxhall cars for all of Europe.

GM Espana is proud to co-sponsor, on behalf of Aragon, this promotion tour of Spain in the United States and Canada. We know it's a good place to do business, and we'll be delighted to welcome new industrial neighbors.

John F. Smith



ARAGON THE GATEWAY TO EUROPE

If you have thought about establishing your operations in EUROPE, Spain is the place. And within Spain, ARAGON is the gateway to do business with EUROPE. Not only because of our excellent location and communications, but because we, the Aragonese, are used to working with dynamic neighboring countries. We are not going to let you fend for yourself because there is an organization at your disposal that will be prepared to help your business get ahead.

The Council of Chambers of Commerce and Industry of ARAGON will always be by your side. Count on it.

CCA
CONSEJO DE CAMARAS DE COMERCIO E INDUSTRIA DE ARAGON

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Cámara Oficial de Comercio
e Industria de Teruel

The Valencian Community: Land of Opportunities

BY GUILLERMO AMUTIO

SPECIAL REPORT

The Government of Valencia, through its Department of Economy and Public Finances, has committed itself to promote the Valencian Community in order to offer an excellent location to U.S firms that want to capitalize on the 1993 European Single Market. To better achieve this purpose, the Valencian Government has decided to provide potential investors with information concerning investment opportunities in the Valencian Community. Through out the following article we hope that you will be able to understand all that the Valencian Community has to offer and why Valencia is called the Land of Opportunities.

Location and Population

The region of Valencia is located on the eastern edge of Spain and, with its 301 miles coast along the Mediterranean sea is strategically positioned as a transportation and trade crossroad between northern Europe and the Mediterranean countries. Its size is similar to the State of Massachusetts and has a total population of almost four million inhabitants.

The capital of the Valencian Community is the city of Valencia with approximately 1.4 million people. Other important cities are Alicante (260,000 inhabitants), Elche (175,000 inhabitants) and Castellon (127,000 inhabitants).

Its climate is extremely mild and pleasant and prove of that is that its clean beaches are preferred by most foreign visitors to Spain. Its contribution to spanish GDP and population have made Valencia the third autonomous region in importance of Spain.

Communications

Valencia is easily accessible from the rest of the world by air, road, rail and sea. The Mediterranean superhighway directly links Valencia with the European Highway Network. The railroad network provides excellent communications with the rest of Spain and Europe. Moreover, the future high-speed line will link Valencia with the European Network via Barcelona.

The international airports of Valencia and Alicante have regularly scheduled flights with capitals around the world and the flight time to all capitals of EEC countries varies from one to three hours.

Valencia has five main merchant ports: city of Valencia, Alicante, Castellon, Gandia and Sagunto. The port of the city of Valencia has excellent installations with 4.3 miles of quays, over 9.6 million sq. feet of storage space, specialized installations for loading and unloading bulk solids and liquids, silos, refrigerated warehouses, dockyards, duty free deposit areas, container terminals and a modern maritime station for passengers. The rest of the harbors provide a means of transportation for agricultural and industrial products.

Economy

Valencia is, along with the other European regions of the mediterranean coast, one of the most dynamic areas of Spain and Europe. For the past six years, the rate of growth of its GDP and investment have been higher than the Spanish and European average. This high levels of expansion are based on an increasing importance of the service sector which accounts for 61 percent of the GDP and on the industrial sector product diversification, which accounts for 28 percent of the GDP. The industrial sector of the Valencian Community is speacialized in the production of consumer goods. Agriculture provides only 5 percent of GDP although it is highly advanced in its production and marketing methods. The quality of agricultural products from Valencia is well known all around the world. The construction sector account for 6 percent of the GDP.

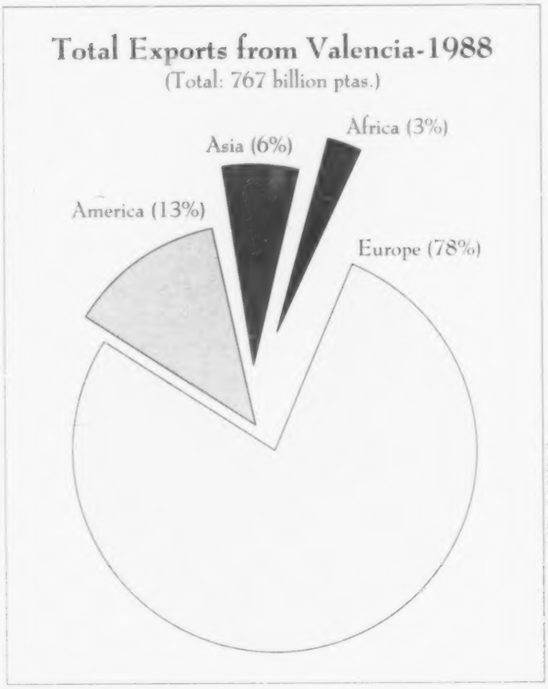
A strong business tradition has provided Valencia with an economy based on small and medium sized business activities which means highly diversified production of which the most significant products are automobiles, data processing equipment, ceramics for construction and decoration, footwear, textiles, toys and, furniture and wood.

Valencia holds an impressive export record. Twenty six percent of Valencia's GDP comes from exports, a higher percentage than for any other part of Spain, or even Japan, Germany or the USA. Some of Valencia's larger companies have become multinational groups: Lladró, Lois, Pascual Hermanos and Porcelanosa are just some examples. Other multinational groups such as Ford Motors and IBM recognized the excellent opportunity that Valencia offers and have benefited from it for a number of years. The auxiliary industry supplies all inputs and services needed for any line of production.

Industrial locations are not polarized in one single area, they are spread through out the Valencian Community. Some areas have specialized in the production of certain products such as, toys, footwear, food and textile in Alicante, ceramics in Castellon and, furniture, textile, chemicals, data processing equipment, food, beverages and, automobile in Valencia. The supply of industrial soil in Valencia is enormous and there is a wide selection of prices and locations to choose from.

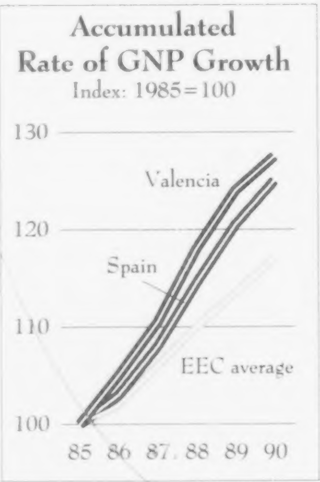
The Valencian Government has strongly supported the location of industries in certain areas considered as Areas of Industrial Development. In this matter, the Research and Development Center of Valencia has played a major role in promoting the establishment of industries with a high technology component and that will also help diversify the Valencian economy.

Total Exports from Valencia-1988
(Total: 767 billion ptas.)



SOURCE: CHAMBER OF COMMERCE VALENCIA

Accumulated Rate of GNP Growth
Index: 1985=100



SOURCE: GOVERNMENT OF VALENCIA

Research and Development

The Government of the Valencian Community has assumed the task of further improving the region's economy. For that purpose, the Government is participating with the private sector, in those ventures requiring a great amount of capital for research and development on the most important sectors of the Valencian economy. The Research and Development Center of Valencia is a good example of this line of action. The purpose of these Research and Development Centers is to strengthen the links between the private sector, the Universities and, companies' research and development departments. So far, nine centers have been developed: Mechanic and Metal Industries, Food Industry, Furniture Industry, Textile and Clothing Industries, Toy Industry, Footwear Industry, Construction Industry, Ceramics Industry, Biomecanic Industry, Optical Industry and Plastic Industry.

The Centers provide applied research and technological development projects, technical and commercial consulting, quality control of raw materials and finished products, standardization and homologation of products, design studies, specialized training and educational courses and, dissemination of technical information and documentation. The Centers have an excellent communication network and it is within a few miles from the superhighway, the Valencia International Airport, the merchant port of Valencia and, the Valencia International Trade Fair Center.

Labor Force

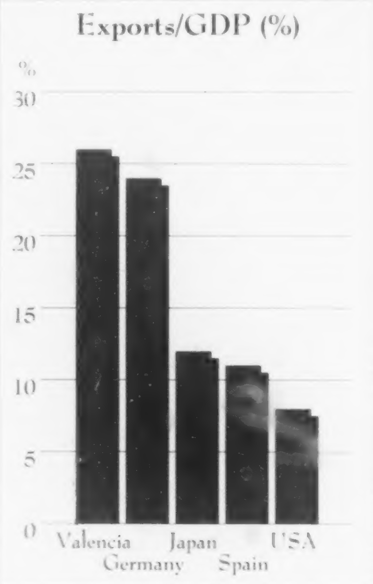
Valencia has a very young working population. Over 70 percent is between 15 and 44 years old, so labor is readily available at every level of qualification. Valencia's universities and vocational training centers ensure an excellent supply of graduates engineers and technicians.

Labor costs are lower than in most European countries and companies have a wide variety of contracts to choose from, in order to adequate their needs to the length of the contract. Labor legislation is flexible and its goal is to provide maximum employment.

Financial System

The Valencian financial system is constituted by the following institutions: Valencian Institute of Finance, Private Banks, Confederated Savings Banks, Foreign Banks established in Valencia and, the Valencia Stock Exchange. The Valencian financial system is characterized by its deep conexion with the economy and by its contribution to the development of the rest of economic sectors.

The Institute of Finance plays a major role in the control and coordination of government financing. Along with state credit institutions there is the important presence of such international banks as, Citibank, Chase Manhattan, Natwest March, Banque National de Paris and Barclays Bank.


Exports/GDP (%)

The Valencia Stock Exchange plays a major role in the financing of Valencian companies. Moreover, a Futures Market in agricultural products from Mediterranean countries will shortly open in Valencia.

In addition, a wide range of professionals are available for fiscal, accounting and information systems consulting. Firms such as: Peat Marwick, Arthur Andersen & Co. and, Price Waterhouse, have offices throughout the Valencian Community.

International Trade Fair

The fair was established in 1917 and was the first of its kind in Spain. It has the most advanced international communications systems and is the largest in Spain (3.2 million sq. feet). The quality of the exhibitions is encouraged over the quantity of them. Among other international fairs held in Valencia are: Shoe Fair, Footwear Technology and Fashion Fair, Toy Fair, Furniture Fair and Ceramic Fair.

Educational System

There are four universities in Valencia: University of Valencia, Polytechnic University of Valencia, University of Castellon and University of Alicante. The four universities together offer undergraduate and graduate degrees in all fields. Other private institutions offer a wide variety of master programs for bachelor degrees for professionals. To meet the need for other qualified labor, some 113 private and 67 state-run institutions offer vocational training to tens of thousand of students.

Primary and secondary educations is provided through state, private and religious schools. Valencia also has bilingual and international primary and secondary schools. The American Institute has been providing bilingual American style education for over 33 years. In addition, the Institute of American Studies helps those students wanting to pursue graduate and undergraduate studies in the United States.

Quality of Life

When traveling to Valencia one will discover most of what Valencia has to offer. Every year almost 3 million tourists enjoy our beaches, recreational facilities, museums, luxurious hotels, popular festivals, gastronomy, etc. Foreigners have made the coast of the Valencian Community a place to only to enjoy their holidays, but also to live round year. Some places along the Valencian coast have become one of the best real state investments around the world.

However, Valencia does not only offer excellent facilities for leisure time but also excellent services at affordable prices for people wanting to leave in the metropolitan areas. Real estate prices are much lower than those of other big metropolitan areas in Europe or other spanish cities. Mass transportation is provided by the subway system in the city of Valencia and bus lines in all the cities. Public parking is readily available through a number of recently built parking facilities near the financial and commercial areas of the City of Valencia.

Overall, the Valencian Community, one of Europe's most dynamic regions, offers an unbeatable opportunity for companies expanding their business to Europe and North Africa. Ω

For information about the Valencian Community, contact:

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GUILLERMO AMUTIO *is the representative in the United States of the Department of Economy and Public Finances of the Government of the Autonomus Community of Valencia.*

The following publications were used in the preparation of this article:

"In the land of Valencia"; Valencia Institute of Tourism/Arthur Anderson & Co.

"Land of Valencia"; IMPIVA (Valencia Small and Medium Site Institute.

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Tax Considerations for Spanish Companies with a U.S. Presence

Spanish companies can reduce their U.S. tax liabilities by restructuring the scope of their activities

BY PETER N. JAMES

SPECIAL REPORT

After deciding to enter the U.S. market-place, Spanish companies have a number of ways to organize their operations. Depending on the type of U.S. activity conducted, very different tax consequences can result.

If the Spanish company simply wishes to import goods into the U.S. and does not wish to establish a physical presence in the country then generally there will be no U.S. corporate income taxes imposed on the profits of the exporting activity. Similarly, there will be no U.S. corporate income tax liability if the Spanish company imports goods into the U.S. and enlists the help of a third-party U.S. distributor or broker. who finds customers, arranges for distribution, etc. In addition, the Spanish company may maintain a facility in the U.S. to store, display or deliver its goods or merchandise without having a U.S. taxable presence. Likewise, a pure purchasing activity would not give rise to a taxable presence in the U.S. nor would a construction or installation project of short duration.

If a Spanish company wishes to have its employees in the U.S. and establish its own office with the intention of selling to, and servicing U.S. companies, then all profits earned by the activity will be subject to U.S. corporate income tax at 34 percent (the normal statutory U.S. tax rate for corporations). In certain circumstances, profits may instead be subject to the so-called "alternative minimum tax." While this tax is imposed at a lower rate, the income base on which it is assessed can be considerably greater than the income taxed at the normal 34 percent rate. The tax assessed is the higher of the normally calculated tax and the alternative minimum tax.

Once it is determined what level of U.S. activity is called for, the Spanish company will have to determine whether it wishes to conduct the activity through a U.S. subsidiary or a branch of the Spanish company. Due to changes in the U.S. tax law a number of years ago, the subsidiary versus branch decision should theoretically be uneffected by disparities in tax treatment.

In the case of a U.S. subsidiary, the profits will be subject to U.S. federal tax at a 34 percent rate (or the alternative minimum tax, if higher). Depending on the state in which the business activity is conducted, state and local taxes may push the overall income tax burden to over 40 percent. Furthermore, when the profits are paid out by way of dividend to the Spanish parent company, the dividend will be subject to a 10 percent U.S. withholding tax. Thought must also be given to whether the subsidiary should be capitalized by equity or a mix of debt and equity. For U.S. tax purposes, interest payments are deductible subject to certain limitations, while dividends are not. However, similar to dividends, interest payments are subject to a 10 percent U.S. withholding tax when paid to a Spanish company.

The U.S. taxation of a branch is similar to the U.S. taxation of a company and the major difference is that the so-called "branch profits tax" takes the place of the 10 percent withholding tax on profits distributed by way of dividend. Since the "branch profits" tax is dependent on hypothetical (or deemed) distributions of profits from the U.S. branch to the Spanish head office, its consequences are sometimes difficult to predict with certainty.

If a Spanish company wishes to license into the U.S., then a U.S. withholding tax will be assessed when royalties are paid by the U.S. user. The rate of U.S. withholding tax varies depending on the nature of the right which is being licensed. From an individual tax perspective, Spanish personnel who are sent to work in the U.S. will generally become subject to U.S. income tax if their stay exceeds 183 days in any 12 month period. Ω

MR. JAMES *is an international tax partner with the New York office of Price Waterhouse. He is an attorney and a CPA.*

A Cultural Perspective

BY FRANCISCO H. GOMEZ

Maybe you have decided to explore seriously the Spanish market. Or maybe you have decided that your company's presence in Europe could benefit from doing business in Spain. This and other reasons may take you to Spain in the near future. There are a few things you should consider that could make your trip into a very successful one or a very unproductive journey.

Check Your Stereotypes

Stereotype is a fancy word but a very useful one. Originally from the printing industry, it describes the need most human beings have to put individuals in little boxes that are confortable from them to relate to. It is then that you hear expressions like, "You know, the French are like that", "Remember, Latins are emotional...", "What happens with Mexicans is..." and so on. All countries in the world have stereotypes of their neighbors, competitors and former colonies. As a matter of fact most of us have stereotypes about most individuals; yes, especially people who say' "I don't have any stereotypes."

So it is important before you go to Spain to check your stereotype about the Spaniards and to understand their history. Ask yourself questions like: What do I know about Spain and its business climate, about sports and society? If you saw two people speaking spanish and were told one of them was a Spaniard, could I tell him/her apart. What would be the telling factors and how valid are they?

> **Spaniards redefine the expression "Work hard, play hard!"**

Be Aware of the Time Context

In American business, the value and appropriate use of time is a pervasive practice. Early in the morning to work, up to one hour for light lunch, out by the end of the day to fulfill personal business appointments and start all over the following day. Even people that want to manage their life even more, advocate flexibility and different ways to schedule their work and their lives. Time is a major determinant of American life.

In the societies with Latin and Mediterranean ancestry like Spain, the sense of urgency about time is different: the time for lunch, both the time it is taken (about 1:00) and its duration (not unusual in excess of one hour), the length of interventions per participant during business discussions and the amount of time spent socializing.

Do not be misled, however. You will find Spaniards that work harder and longer hours than you, but in general their time context is different than in the U.S. Learn to pace and work it into your schedule.

Remember Portugal

Although a different country in language, customs and history, Portugal's strong trade and investment connection with Spain must be considered. I have yet to meet a Spaniard, when asked to draw a map of Spain, that did not draw a map of the Iberian Peninsula, including Spain and Portugal.

The Work Force

The latter part of the 1980's was not good for many areas Latin American businesses. Explosive inflation rates, political changes and economic plans started by governments not always gave the expected results. Consequently, trained professionals, especially from Argentina and Brazil, emigrated, and Spain was a common destination. A client of mine involved in medical technology maintains a research unit in Spain that has produced a respectable portion of their patents worldwide. On all levels, the Spanish work force is eager to learn and is always better prepared than expected. Keep this in mind when looking for location sites in Europe.

Spaniards have given new meaning to the expression "Work hard, play hard!" When you go to Spain be prepared for long workdays and late dinners with spirited conversations and with individuals interested in learning about you, America your business and also very proud to show you their beautiful and multifaceted country where business is serious and professional, but where social interaction has been elevated to an art. Ω

FRANCISCO GOMEZ *is President of Executive Development International (EDI) based in Greenwich, CT which helps companies around the world adopt to the profound change processes necessary to compete globally.*

Country Market Information

Investing in/ Importing from Spain

Contact the Spain Desk Officer and the Spanish Commercial Offices

Spanish Commercial Offices:
Commercial Office of Spain
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New York, N.Y. 10174-0331
(212) 661-4959
Fax: (212) 972-2494
Telex: 51060114778 OFCOME NY UQ

Embassy of Spain
Commercial Office
2558 Massachusetts Ave., N.W.
Washington, D.C. 20008
(202) 265-8600
Fax (202) 265- 9478
Chicago
(312)644-1154
Fax: (312) 527-5531
Los Angeles
(213) 628-1406
Fax: (213) 628-1504
Miami
(305) 446-4387
Fax:(305) 446-2602
Hato Rey, Puerto Rico
(809) 758-6345
Fax: (809) 758-6948

More investment information:
Coopers & Lybrand
1251 Avenue of the Americas
New York, NY 10020
Ask for:
"Guide for Business and Investors"

U.S. duties on imported products:
Customs Services
U.S. Treasury Department
1301 Constitution Ave, N.W.
Room 2216 CS
Washington, D.C. 20229

Taxation Information

Deloitte, Haskins and Sells
1114 Avenue of the Americas
New York, NY 10036
Ask for:
"Taxation in Spain"

Touche Ross & Company
1900 M St., N.W.
Washington, D.C 20036
Ask for:
"Tax and Investment Profile"

Price Waterhouse
1801 K St., NW, Suite 1000 K
Washington, D.C. 20006
Ask for:
"Doing Business in Spain"

Common Market Reports
Commerce Clearing House, Inc.
Sales Office
3 First National Plaza
Chicago, IL 60670
Ask for:
"Doing Business in Spain"

Exporting to Spain

Contact your local Department of Commerce District Office for an "Agent/Distributor Service (ADS)." If you are planning to visit Spain, contact the U.S. Foreign Commercial Service for a "Gold Key Service."

Questions on Spanish Customs rules/regulations for import:
Contact your importer for details, and refer to Dun & Bradstreet's *Exporter's Encyclopedia.* Your may also write to:
(Directorate General of Customs)
Direccion General de Aduanas e Impuestos Especiales
Guzman el Bueno, 137
28003 Madrid, Spain

Questions on Spanish packaging, marking, and labeling requirements:
Contact your importer for details, and refer to Dun & Bradstreet's *Exporter's Encyclopedia* You may also write to:

(Directorate General of Tariff Policy & Imports)
Direccion General de Politica Arancelaria e Importacion
Guzman el Bueno, 137 28003
Madrid, Spain

Questions on Spanish standards:
Information Center
National Institute of Standards and Technology (NIST)
U.S. Department of Commerce
Administrative Building A-629
Gaithersburg, MD 20899
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Fax: (301) 963-2871

AENOR
Asociacion Espanola de Normalizacion y Certificacion
Calle Hernadez de la Hoz, 52
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American National Standards Institute
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New York, NY 10018
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Fax: (212) 302-1286

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Spanish electrical standards:
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Instituto Nacional de
Racionalizacion y
Normalizacion (IRANOR)
Serrano, 150
28006 Madrid, Spain

Questions on Spanish patent protection:
Register of Industrial Property
Ministry of Industry and Energy
Dpto. de Patentes y Modelos
Panama, 1
28036 Madrid, Spain

Agricultural Exports

Questions on the export of agricultural goods to Spain:
Foreign Agricultural Service
Room 5514, South Building
U.S. Department of Agriculture
Washington, DC 20250
(202) 382-9013
Fax: (202) 382-8069

Marketing and trade promotion information:
AIMS Project
Room 4945, South Building
U.S. Department of Agriculture
Washington, DC 20250
(202) 447-7103
Fax: (202) 472-4374

For finished agricultural goods:
U.S. Department of Agriculture
High Value Products Division
Room 4649, South Building
Washington, DC 20250
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Fax (202) 472-4374

Fish and Seafood Exports

Fish and Seafood Trade Statistics:
Fishery Resource Statistics Division
National Marine Fisheries Service
U.S. Department of Commerce
Washington, DC 20235
(202) 673-5335

Marketing & trade promotion information on U.S. fish exports:

National Marine Fisheries Service
Office of Trade and Industry Services
Room 26249, Metro Building 1
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Silver Spring, MD 20910
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Fax: (301) 427-2258

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U.S. Foreign Commercial Service
U.S. Consulate General-Barcelona
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New York, NY 10022
(212) 759-8822
Fax: (212) 980-1053

Questions on travel abroad, schooling, residency in Spain:
Consular Services
Room 4811
U.S. Department of State
Washington, D.C. 20520
(202) 647-3444

Up-to-date information on traveller safety in Spain:
Diplomatic Security Service
- Overseas Support Programs Division
U.S. Department of State
Washington, D.C. 20520
(202) 647-5225

Other Sources of Information

Cost of living data:
Executive Living Cost in Major Cities Worldwide Business Int'l
1 Dag Hammarskajold Plaza
New York, NY 10017
(212) 371-3800
Fax: (212) 758-2718

Attorneys in Spain and assistance to U.S. citizens abroad:
Office of Citizens Consular Services for Europe
Room 4811
U.S. Department of State
Washington, DC 20520
(202) 647-3444

Cultural Programs:
U.S. Information Agency (USIA)
Spain Desk, Room 868
301 4th St., S.W.
Washington, DC 20547
(202) 485-8582
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Further information on these activities are available through BBV's United States offices in New York, Miami and San Francisco.

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Telefónica

Established in 1924, Telefónica is one of Spain's leading companies with 75,000 employees and total assets in excess of $ 31 billion.

Telefónica was the first privately held European telecommunications company with a nationwide network. More than 700,000 shareholders today hold the majority stock, and the shares are quoted on five international stock exchanges including New York, London, Tokyo, Paris and Frankfurt. Today Telefónica owns the ninth largest telephone system in the world with 12.6 million lines and more than 140,000 integrated business lines.

Telefónica supports a wide range of services to meet different user requirements.

The public data network IBERPAC supports 78,000 dedicated connections as well as 516,000 switched connections via the public telephone network. The first of its kind in Europe and the second in the world to use this technology, IBERPAC is connected to 67 countries, thereby giving access to some 125 data networks.

Telefónica has a state of the art private virtual network called IBERCOM. This is the first network in Europe which specialized in integrated business communications configured as a VPN. IBERCOM connects to several foreign VPN's such as AT&T's GSDN and MCI's VNET. Other services include 800 numbers, country direct, ISDN and Cellular.

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Upgrading Spain's Telecommunications

Spain is making steady and consistent efforts to close the telecommunications gap with its European Community partners in preparation for the coming free trade conditions

BY JOHN FLEMING

The basic framework for regulating the Spanish telecom sector came into force during 1988, addressing the technology gap with ambitious investment plans to modernise and expand the network, while gradually opening up the market for peripheral equipment and services.

While the effective state monopoly of the core telecom services, such as the transmission of voice and data, will remain in the hands of Telefónicas (Spain's semi-privatised telecom company i.e. the state owns 32 percent) until the mid-1990's, valued added services were to be completely liberalised. The Administration predicted that this liberalisation would stimulate domestic industry, as well as foreign suppliers, to meet the forecast increased demand for equipment and services.

Industry sources are only moderately optimistic about the pace and extent of this regulation of the Telecommunication sector. They have serious doubts about the capacity of Telefónica to successfully implement their ambitious plans. And there are doubts about the sincerity of the Administration to fully liberalize the terminal market as the new regulations leave a host of areas undefined and many questions unanswered.

> **The Spanish telecommunications sector is forecast to more than double in size by the year 2000 to reach 7% of GDP. Already, Spain is the world's sixth largest telecom market**

A Large and Tempting Telecom Market

According to Jose Borrel, the Minister for Public Works and Transport (which includes telecommunications) the Spanish Telecommunications sector is forecast to more than double size by the year 2000, to reach 7 percent of GDP. Already Spain is the world's sixth largest telecom market.

These two facts emphasis the extraordinary potential of the Spanish telecom market as it tries to catch up with its other EC neighbors. One of the major differences between Spain and the larger telecom markets in Europe is that Spain does not have a large domestic telecommunications company. This makes the Spanish market tempting for other multinational telecom companies and partly explains the attitude of the Administration and Telefónica in its dealings with potential suppliers.

For the past 30, years the telephone and postal services have been separately administered in Spain. The Ministry of Transport and Communications runs the postal and telex services and Telefónica, runs the telephone services. In the mid-'80's, 25 percent of Telefónica shares were floated internationally on the London, Paris, Frankfort, Tokyo and New York stock exchanges.

In the wake of the rapid developments which were taking place in the market during the early Eighties, Telefónica, suppliers, and customers found themselves increasingly operating in a legal vacuum and without any clear directions from the Administration. This was particularly obvious when the basic infrastructure depended on the strategy and investment of the public sector.

The boom in demand for telecom services and Spain's entry into the EC in 1986 helped to focus the Administration's attention on this nationally important area which led to the passing at the end of 1987 of the Telecommunications Law (Ley de Ordenacion de las Telecomunicaciones) which established the legal framework for the future development of telecommunications in Spain.

The Telecommunications Law

The law sets out the basic principles for the introduction to Spain of private television, the partial liberalisation of the market for telecommunications equipment and services and the setting up of a National Telecommunications Plan to coordinate and plan future investments in the sector.

The law classifies telecommunications equipment and services into three very broad areas:

The first two areas which are (1) final services, such as the telephone, telex and telegraph and (2) transmission/carrier services (the basic telecommunications infrastructure), will remain in the hands of the public sector, mostly through Telefonica.

The two-key issues for the industry are the implementation of liberalising regulations and a National Telecommunications Plan that will define the future role of Telefónica

The third area (3) value-added services (equipment and terminals) which is to be completely liberalised, is opening up the Spanish market for the telephone equipment and telecom terminals to all manufacturers.

It is important to note that, by virtue of the Treaty of Accessions to the EC, signed in 1985, Spain can delay the implementation of some EC directives concerning the telecommunications sector until 1995.

Valued-Added Services

Although the Telecommunications Law liberalised all valued-added services, in practice some will need to be more fully defined before the administration will liberalize them.

With the approval of the General Regulation in August 1989, value-added services based on radio transmission, such as mobile telephones and radio paging services, using the existing transmission network have been completely liberalised.

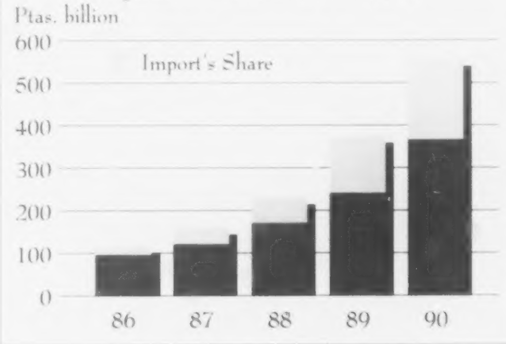
However, problems have arisen in the definition of data transmission and electronic messenger services which are holding up the liberalisation of these services. The Administration is closely following development in Brussels in this matter and will most likely wait until the EC forces the issue of their liberalisation in Spain.

The National Telecommunications Plan

The National Telecommunication Plan was supposed to be approved by the government within one year of the passing of the Telecommunications Law. Now, three years later, the plan still has not been finalized, let alone approved.

While few details have emerged of the discussions on the contract taking place between the President of Telefonica and the Minister for Public Works and Transport, it is clear that the definition of Telefónica's role as a public service operator in the free market environment of the '90's and into the next century is at stake.

Spain's Telecom Market



SOURCE: FLEMING CONSULTANTS

The key issues in the negotiations are the length of the contract, the rate at which Telefónica can depreciate its investments and its revenue structure.

Telefónica wants at least a 20-year contract. The Administration wants to give a shorter contract of 15 years. This issue is related to the rate of depreciation of Telefónica's investments which is fundamental to its investment capacity and the speed at which it can develop and modernise the telephone network. Telefónica wants to be able to charge commercial tariffs for commercial services and have the Administration subsidize the loss, making rural services it has to provide by law.

In the fight against inflation over the past seven years, the government has kept increases in telephone call charges below the rate of inflation. It has, however, long recognized the need to bring telecom tariffs in Spain into line with the rest of Europe.

The first step has already been made in this direction with the recent adjustment in phone charges which ups the cost of local calls (the cheapest in Europe), but reduces the very high cost of international calls. Discriminatory tariffs were abolished.

Progress to Date

Much of what will come out in the plan has already been put into effect, such as the development of Hispasat, Spain's TV satellite.

The Plan will certainly take into account the EC's further liberalisation of telecom services and harmonisation of telecom products and services. The pace at which the EC is making progress in the mapping out Europe's future telecom market has meant that much of the Telecommunications Law is out of date.

For example, Spain has had to agree that from 1995 Telefónica will lose its monopoly over the carrying of voice transmissions. Then, major users that have contracted to use a certain amount of traffic will be able to sell any spare capacity.

The early implementation of the Plan is vital to the development of an Integrated Systems Digital Network (ISDN) in Spain. The system will start in 1991, but will probably fall far short of the 5 percent of the total telecom network in 1995, as the EC recommends, because the Administration does not believe that the demand justifies it.

EC Directives and Policies

On paper, Spain appears to be pushing through a liberalisation of telecom services in accordance with the EC Green Paper and recent Directives.

In practice, however, Spain's strategy would appear to be to delay as much as possible the implementation of the full liberalisation regulations so as to force Brussels to take the lead and give Tele-

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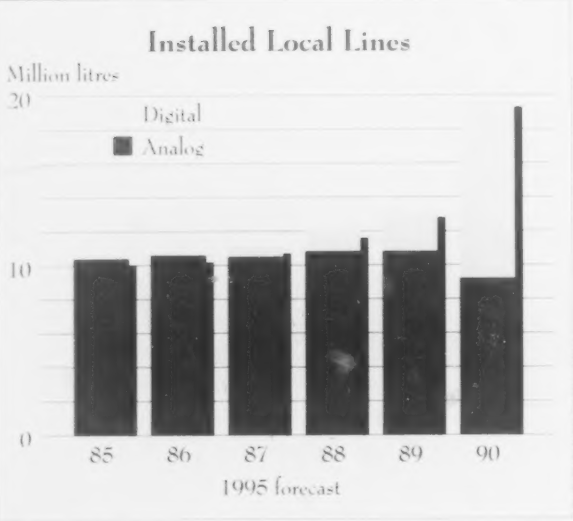

SOURCE: FLEMING CONSULTANTS

fonica and Spanish companies time to prepare for free trade conditions.

While appearing to endorse the spirit of liberalisation, in fact the Spanish Administration has missed many target dates set by the EC, as well as those set out in the Telecommunications Law.

The Telecommunications Industry

Total revenue generated by the telecommunications sector in Spain in 1990 was estimated to be $15 billion, equivalent to 3 percent of GDP, the greater part of which is accounted for by Telefónica.

It is estimated that the market for terminals, switching and transmission equipment was worth pta 500 billion ($5 billion) in 1990, which makes Spain the fastest growing and fifth largest telecom market in Europe.

The recent boom in demand, coupled with the backward state of the telecom services in Spain, has resulted in spectacular growth in the telecom market in Spain.

The Boom Brought Short-Lived Benefits to Suppliers

The decade-long recession which lasted until 1986 caused demand to stagnate and Telefónica to put off much needed investment to upgrade and modernise the telephone network. At the same time, the newer electronic equipment required a less labor-intensive manufacturing process than older products, which forced suppliers to cut back their labor force at great expense.

The result of these two factors was a period of intense restructuring and major losses for the main telecom equipment suppliers during the early 80's. In the meantime, a wave of liberalisation was sweeping Europe's PTT's at the same time as new telecom products and services were appearing in the marketplace. And the strength of the economic boom in Spain caught everybody off guard.

The latent demand pent up during the recession caused an explosion in the demand for new telephone lines and terminals. This forced Telefónica to drastically increase its investment programme and its orders to suppliers who had to substantially increase their capacity to satisfy the sudden surge in demand.

In spite of this buoyant situation, the major suppliers saw that the benefits to them of the long-awaited recovery could be short lived because of four factors:

(a) The administration introduced a partial deregulation of the sector which brought more competition.

(b) EC membership in 1986 began a period of lower import tariffs and the removal of quotas which has produced a flood of imported products.

(c) Telefónica abandoned its long term investment planning to concentrate instead on yearly investment programmes, which made it impossible for suppliers to plan ahead and

(d) a third switching equipment manufacturer, AT&T, set up in Spain to supply Telefónica's growing needs.

As all these new competitive forces reach their maximum intensity around 1992, demand has already started to level off, and lower profit margins are indicated for these suppliers. Already, all are busy scouting export markets for their products.

Local Lines Installed

The installation of digital local lines has been doubled each year and from 1989 on nearly 98 percent of all additional local lines will be digital.

The penetration of digital local lines has been rapidly increasing and reached 28.4 percent by the end of 1990.

The number of analog local lines, which peaked in 1988, is expected to fall by an average of 300,000 lines per year. At this rate, it will 25 years before this technology disappears from the network.

The upgrading of the trunk network to digital is receiving most of the attention with the rapid digitalization of the system. The current realistic target within Telefónica is to achieve 82 percent digitalization of the trunk by the year 1994.

Forecast Growth In the Market

Nineteen ninety marked the first year of Telefónica's five year investment program for the period of 1990–1994. The targets as set out by Telefónica are.

- Additionally, of 7.8 million local lines of which 98 percent will be digital lines. By taking 200-300,000 analog lines out of service each year, it is expected that 56 percent of the local network will be digital by 1995. The number of lines per 100 inhabitants in Spain will go from 31 lines per 100 inhabitants in 1990 to 40 lines per 100 inhabitants in 1994.
- The addition of 2.8 million trunk circuits, all 100 percent digital which will bring to 82 percent the digitalization of the trunk network by 1994.
- The investment program represents a slowdown in the pace of the installation of new lines. Having peaked in 1990 at 3 million new lines, the rate of installation of new lines is expected to fall to 2 million in 1992 and 1.5 million by the year 1994. Ω

JOHN FLEMING *runs Fleming Consultants, an industrial market research outfit based in Madrid that monitors the major Spanish industry sectors and advises foreign companies on getting started in the Spanish market.*

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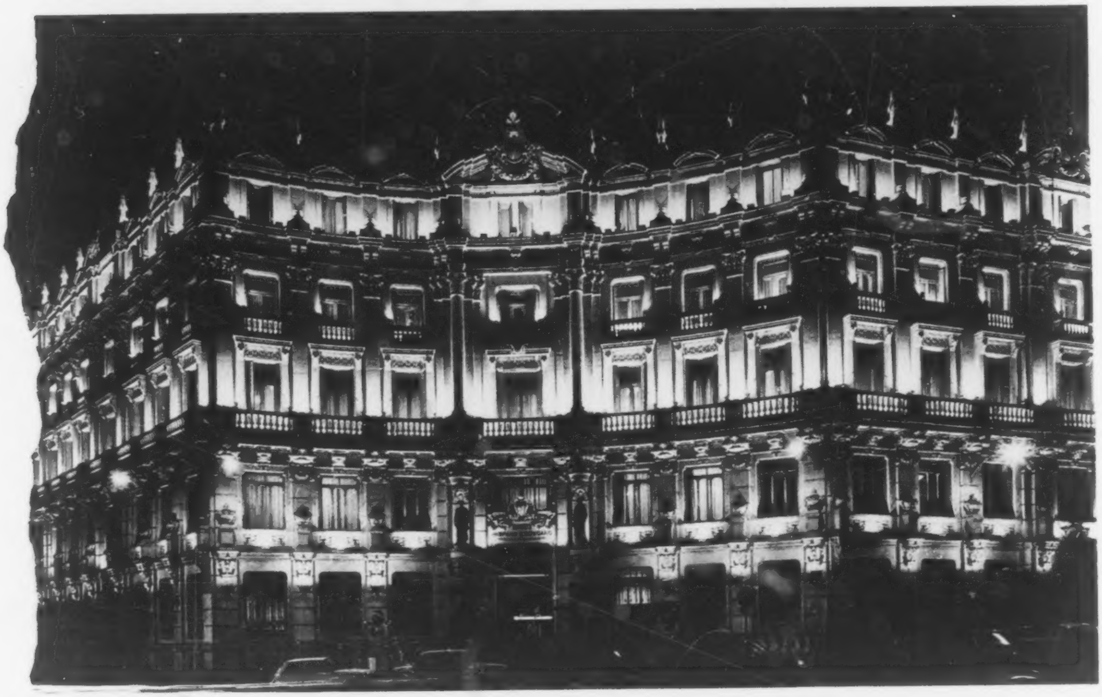

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Euro-American Business Communites Need GATT

Creating a Cross-Atlantic alliance in support of trade is an imperative

BY JAMES D. ROBINSON III

Over the past forty-five years, world trade in goods has grown from roughly $60 billion in 1947 to $3.5 trillion today; beyond that, world trade in services is approaching $1 trillion. A major driving force in this growth has been trade liberalization. For example, through seven rounds of GATT negotiations, tariffs on manufactured goods in the industrialized countries fell from an average of 40 percent in 1947 to less than 5 percent today.

Trade between the U.S. and Europe is also large, growing, and today almost in perfect balance. Last year, U.S. exports of goods to Western Europe were $111 billion, while private services exports were $42 billion. European exports as a whole to the U.S. were roughly equal—that's what makes for a good trade relationship. As to a few details, the U.S. ran a slight surplus with Europe in both goods and services. Over one-quarter of U.S. goods exports went to Europe last year, as did over one-third of our private service exports. The U.S. imported similar shares of EC output: 22 percent of U.S. goods imports came from Europe, and 41 percent of our services imports.

Given the magnitude of the American and European trading relationship, communications on trade issues between our business communities—like communication between the U.S. government and the EC—must be regular, active, and clear. Cooperation on trade liberalization is certainly in the interest of the business communities on both sides of the Atlantic.

As we all know, the current round of the GATT talks, or the Uruguay Round, collapsed in Brussels last December. The breakdown of the talks centered on agriculture, although there were other areas of disagreement, such as services.

> The U.S. business community strongly supported the Uruguay Round of GATT talks during the fast-track debate in Congress

Protection of domestic agricultural markets—in the form of price supports, export subsidies and import restrictions—has grown substantially over recent decades. Almost 90 percent of all food imports in the developed world are now subject to such barriers, compared to 35 percent in 1966. That's why free and fair trade in agriculture is the highest priority for many negotiators in the Round.

Developing countries, plus major agricultural-exporting industrial countries like Canada, Australia, and the U.S., pushed strongly in the GATT negotiations for deep cuts in farm subsidies, especially export subsidies.

The EC, Japan, and Korea resisted these pressures. The Brussels Ministerial talks last December failed to break this deadlock despite the high cost of agricultural policies for the industrial countries themselves — estimated to be $100 billion in the form of higher prices and higher taxes in Europe alone. Unable to reach agreement on agriculture, the GATT negotiations were suspended.

Fortunately, there's some reason for hope. Great attention was focused on every move of the European community this spring as it worked to establish its agricultural price package. Signs that the EC is willing to move beyond its prior proposal of a 30 percent cut in subsidies are promising and have allowed some forward movement.

The true test, however, remains in the reform of the common agricultural policy, and the jury is still out on that element of the community's farm reform.

The other critical issue that must be resolved satisfactorily is services. Services should be a central feature of the Round for all industrial countries — the U.S., the EC and Japan. All our economies are predominantly services-based. They are not driven by farm production — as important as that might be. In none of these countries are the majority of workers employed in manufacturing, as important as goods production is to all three economies. Services employment dominates the economies in all three countries.

But you would not know it from the current state of services negotiations in the Uruguay Round. Fundamental decisions have yet to be made in shaping a services framework agreement. Nor have the negotiators begun to grapple earnestly with liberalizing commitments from signatory countries. Although we do not expect immediate, total liberalization, the U.S. does seek a services agreement which liberalizes important sectors of trade in services now — not ten years from now.

Without significant progress in agricultural and services — as well as in other important areas such as intellectual property and market access — it is hard to see how the U.S. would approve the final package.

Nonetheless, the U.S. is committed to substantive negotiations.

A serious hurdle to the Uruguay Round was recently cleared here in the U.S. In a hard-fought effort, Congress approved the extension of a procedure called "fast-track," thereby providing President Bush with two more years of trade negotiating authority.

The battle over fast track was fierce. Those import-sensitive U.S. industries that oppose the Uruguay Round were urging the congress to vote "no" on extension. So did labor and some environmental groups opposed to the North American Free Trade Agreement (FTA). After getting its act together, the U.S. business community lobbied hard to tell the congress why both the GATT agreement and the North American FTA are critical to prospects for the economic growth in the U.S. Fortunately, we were successful.

Now that extension of fast-track has been achieved, negotiators can move into high gear to remove all the remaining obstacles to a successful final agreement. As I have already indicated, closing the gap in agriculture and services will not be easy. It will require a great deal of political will. And sharp disagreements need to be resolved over the details of draft texts on tariffs, non-tariff barriers, services, textiles, intellectual property, and other key areas. For example, the services text contains more than 200 bracketed paragraphs to be negotiated — many more than the paragraphs already agreed to.

No one is prepared to commit to a specific deadline for ending the round. But the hope is to complete the negotiations by the end of this year or early 1992 — in advance of the elections in Canada and the U.S. and before the new commission takes over in Brussels at the end of 1992. So time is short and the task significant.

The business communities on both sides of the Atlantic need to throw all of their energies into the round to make it a success. There is a good reason to do so. It's been estimated that a successful round will result in over a $5 trillion incremental gain in world-wide growth for this decade alone.

The U.S. business community came out in force to show its support for the Uruguay Round during the fast-track debate in Congress. Now it is time for European business to show its will in a similar way. Although there is no fast-track debate in the EC, European manufacturers, service companies and financial institutions should be lobbying EC officials, as well as their home governments, for changes in farm policy that will allow liberalization to proceed in all other areas.

More of this must be done — and done soon. This task requires large scale, continuous attention. For our part, I can assure you that the U.S. business community is keeping the pressure on the U.S. Ω

JAMES D. ROBINSON III *is Chairman and CEO of American Express. These comments were expressed during a speech on June 25th at the European-American Chamber of Commerce, a New York-based trade organization consisting of eleven European bilateral chambers of commerce.*

Single Market Enters Home Stretch

With the December 31, 1992, deadline rapidly approaching, the commission has released its sixth annual progress report on the single market. While only 89 of the 282 proposals in the 1985 white paper still require adoption by the council, the report warns that the council's productivity on single market legislation has increased considerably over the past six months (only 11 directives have been adopted since November 1990), and that there are still some serious delays in key areas. Legislative delays in the European Parliament on some 35 items have contributed to the slowdown.

As in previous reports, the commission points out that the member states are still behind in transposing adopted EC measures into national law, but the average rate of transportation has improved to 72 percent from 67 percent in December 1990. This improvement stems primarily from the successful efforts of France and Greece to raise their transportation rates in the first half of 1991. Italy continues to lag with a paltry 50 percent implementation rate.

The report lauds the progress made in defining the value-added tax (VAT) and excise duty regimes arising from the abolition of internal border controls, and notes some improvement in the animal and plant health sectors (although 28 directives in these areas are still outstanding). Apart from these achievements, however, many dossiers are still blocked and need a new impetus.

Notwithstanding the recent adoption of the computer software directive, intellectual property has seen little movement, mainly for political reasons. For example, the Community trademark remains nonexistent because the member-states cannot decide on a location for the trademark office or on the number of working languages. Further, the EC patent convention still requires the ratification of some member-states.

Despite the progress made in the air transport sector, the sea, inland waterway and road transport fields still require decisions to ensure the freedom to supply services throughout the EC. The investment services directive, a cornerstone for a single market in financial services, remains blocked at the council level and the 13th company law on takeovers has been delayed by the European Parliament. In addition, greater efforts are necessary in the areas of the free movement of persons, the European Company Statute and several direct taxation directives (e.g. the abolition of withholding tax on interest and royalty payments) to meet the deadline.

Source: Eurocom, *August 1991.*

General Trade Information

(As part of The Business Link's continuing efforts to keep our readers informed about U.S.-Spain trade regulations, we are publishing this access-to-information directory, listing both government and private facts and contacts.— Editor)

Duty Rates

Spain joined the European Community (EC) on January 1, 1986. Under the terms of its Treaty of Accession, Spain must align its tariffs with those of the EC over a seven-year period to be completed on January 1, 1993. Reductions range from 10 to 15 percent annually. As on January 1, 1990, these reductions totaled 65.0 percent.

For specific duty rates, trade regulations, and documentation requirements for exports to Spain and the EC contact:

Office of European Community Affairs
Room 3036
U.S. Department of Commerce
Washington, DC 20230
(202) 377-2905

Valued Added Tax (VAT)

Under the terms of Spain's Treaty of Accession to the EC, Spain was obligated to institute the VAT, except in the Canary Islands and the African territories of Ceuta and Melilla. There are three rates: 1) a general rate of 12 percent levied for most goods and services; 2) a reduced rate of 6 percent for food products, medicines, books and printed matter, non-exempt education, and municipal transport; and 3) a 33 percent rate for cars and recreational vehicles, jewelry and luxury furs. Health care, education, investment, exports, and new artwork are exempt from the VAT.

Publications

U.S. Department of Commerce Publications
Publications Sales Branch, Rm 1617
U.S. Department of Commerce
Washington, D.C. 20230
(202) 377-5494

Ask for:
"Business America: The Magazine of International Trade," "Basic Guide to Exporting," "Foreign Business Practices," EC 1992: Growth Markets," "Overseas Business Report, Marketing in Spain," "Foreign Economic Trends Report, Spain"

Other U.S. Government publications can be obtained from:
Superintendent of Documents
U.S. Government Printing Office
Washington, DC 20402
(202) 783-3238
Fax (202) 275-0019

To obtain foreign publications:
European Publications, Inc.
11-03 46th Avenue
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(718) 937-4606
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In Madrid
Robert Kohn, *Senior Commercial Officer (since 8/87)*
James Wilson, *Commercial Attache*
Maria Galindo, *Assistant Commercial Attache*
U.S. Foreign Commercial Service
American Embassy
Calle Serrano, 75
28006 Madrid, Spain
011-(34-1) 576-4010
Fax: 011-(34-1) 575-8655
Telex: 41963 USFCS E

Or write to:
U.S. Foreign Commercial Service
American Embassy—Madrid
APO New York 09285-8500

In Barcelona
Ralph Griffin, *Commercial Officer*
U.S. Foreign Commercial Service
American Consulate General
Via Laietana, 33
08003 Barcelona, Spain
011-(34-3) 315-3263
Fax: 011-(34-3) 319-5621
Telex: 52672

Or write to:
U.S. Foreign Commercial Service
American Consulate General
APO New York 09286-5400

Other U.S. Government Contacts

State Department, (202) 647-1412
Spain Desk Fax: (202) 647-3459
Agriculture Department EC:
(202) 447-2144
Foreign Agriculture Service Spain
(202) 382-1340
Fax: (202) 447-6063
Treasury Department
(202) 566-2830
Spain Desk
Fax: (202) 566-8066
Bureau of Census
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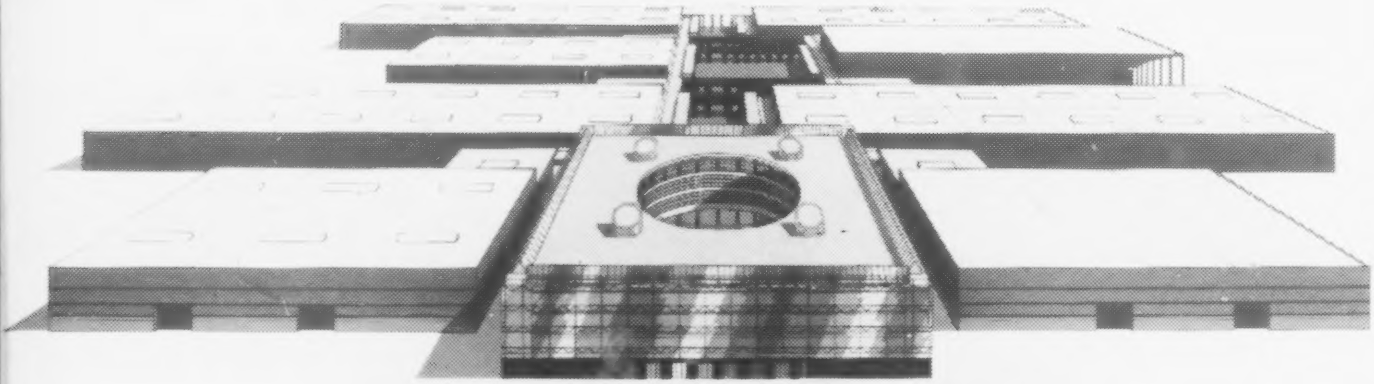

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[Facts & Contacts]

Labor Department

Bureau of Labor Statistics
(202) 523-1221
Office of Publications
(202) 523-9301
Office of Foreign Labor Comparison
Fax: (202) 523-7342

Other sources of commercial, economic and trade information:

Oceana Publications, Inc.
Dobbs Ferry, NY 10522
(914) 693-5956
Fax (914) 693-0402
Ask for:
"Commercial, Business and Trade Laws of the World"
(individual country supplements available)

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(Publisher of "Europe: Magazine of the European Community")

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Fax: (202) 785-0350
Publications:
"World Economic Outlook" semi-annual
"Annual Report on Spain"

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Information on the Barcelona Summer Olympic Games

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08028 Barcelona, Spain
(34-3) 411-1992
Fax: (34-3) 411-2092

Working at the Olympics:

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COOB '92
Travessera de les Corts, 131-159
08028 Barcelona, Spain
(34-3) 490-1992

Olympic licensing/sponsoring:

Commercial Department
COOB '92
Travessera de les Corts, 131-159
08028 Barcelona, Spain
(34-3) 490-1992

Opportunities for commercial participation in the Olympics:

Ralph D. Griffin
Commercial Officer
American Counsulate General
Via Laietana, 33
08003 Barcelona, Spain
(34-3) 319-9550
Fax: (34-3) 319-5621

Hotel Reservations and tickets:

Olson Travel World International
100 N. Sepulveda Blvd., Suite 1010
El Segundo, CA 90245
(800) 874-1992
Fax: (213) 640-1039

Inquiries relating to the U.S. Olympic team:

U.S. Olympic Committee
Olympic House
1750 East Boulder St.
Colorado Springs, CO 80909-5760

General tourism information about Barcelona:

Barcelona Convention Bureau
Psg. de Gracia, 35
08007 Barcelona, Spain
(34-3) 215-4477

For more information on Commercial trade policies, economic and marketing conditions, trade promotions programs, trade and production statistics, and exporting to and investing in Spain, contact:

Mary Beth Double
Spain Desk Officer, Room 3042
International Trade Administration
U.S. Department of Commerce
Washington, D.C. 20230
(202) 377-4508
Fax: (202) 377-2155
Fax: (202) 377-5444

SOURCE: *U.S. Department of Commerce and the U.S. Foreign and Commercial Service.*

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Arbitration Comes of Age

A new law has removed most of the impediments to resolving commercial disputes in Spain

BY STEVE KAHANER

An understanding of arbitration is necessary for every person doing business abroad and for all foreign businesses operating in the United States. Commercial arbitration is a mechanism whereby two or more parties submit contract disputes to the final decision of one or more impartial persons. This private procedure is useful because it allows parties to avoid the complexities, expense, loss of confidentiality and delay of court proceedings. Commercial arbitration is perceived to be especially advantageous for resolving disputes in international trade and business, as business parties tend to be wary of foreign laws and a possible bias of local courts in favor of domestic parties.

There are two main types of commercial arbitration: institutional and ad hoc.

Institutional arbitration takes place when the arbitration proceedings are administered by an organization, usually in accordance with the particular rules of that organization. One principal advantage of institutional arbitration is the fact that parties can incorporate the institution's rules by reference in an international contract.

These rules normally represent proven procedures drafted by professionals in the commercial arena. In addition, arbitral institutions usually maintain lists of arbitrators who are fluent in the language of the arbitration and have experience in the field of the dispute, have set fees (thus sparing parties the burden of negotiating the arbitrators' fees) and act as an administrative "referee" to ensure the independence of arbitrators.

Ad hoc arbitration occurs when there is no formal administration of the arbitration by a named arbitral institution. Ad hoc arbitration may be more flexible than institutional arbitration because it can be shaped to meet the particular circumstances of the parties and the dispute, normally eliminating the costs and sometimes cumbersome procedures of arbitral institutions. However, successful resolution of a dispute without court interference under ad hoc arbitration is often much more dependent upon the cooperation of the parties, their counsel, and the arbitrators.

> **Millions of contracts, insurance policies, leases, franchise agreements and other business and personal arrangements include arbitration clauses**

In the United States, private commercial arbitration has gained widespread acceptance since the first modern arbitration laws were passed in the 1920s. Today, millions of contracts, insurance policies, leases, franchise agreements and other business and personal arrangements include arbitration clauses, and many thousands of cases are arbitrated each year.

In contrast, Spanish law until recently has made it virtually impossible to conduct arbitration (especially institutional arbitration) in Spain, due to the antiquated and impractical provisions of the Arbitration Act of 22 December 1953 (the 1953 Act), which was passed at a time when arbitration was viewed with hostility by legislators who were intent on defending the judicial monopoly of the state.

Fortunately, this situation has changed with the passage of Law 36/1988 of 5 December 1988 (the 1988 Act). The 1988 Act has removed most of the impediments to conducting arbitration in Spain and has legitimized, even favored, institutional arbitration as a viable means of dispute resolution.

The Arbitration Agreement

One of the major obstacles to arbitration under the 1953 Act was the Act's prohibition of agreements to arbitrate disputes which arose in the future. In order to arbitrate under the 1953 Act, two agreements were necessary: a preliminary arbitration clause, which could be agreed to at the time of contract; and the actual submission to arbitration, which could only be made at the time a dispute arose. Thus, one party to a contract could refuse to submit to arbitration once a dispute arose, and the opposing party would be forced to go to the courts in order to enforce its right to arbitrate.

Unlike the 1953 Act, the 1988 Act eliminates the distinction between the preliminary arbitration clause and the subsequent submission to arbitrate. A written arbitration clause expressing the unequivocal will of the parties to submit to arbitration and to comply with the eventual decision of the arbitrators is all that is necessary to commence proceedings once the arbitrators have notified the parties of their acceptance of the arbitration.

Institutional vs. Ad Hoc Arbitration

Another departure from the norms of the previous law is the 1988 Act's express provision for the appointment of arbitrators and the administration of the arbitration by third parties such as pub-

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lic law institutions and non-profit associations. This provision is one of the main ingredients necessary for the effective implementation of arbitration in Spain, because specialized organizations such as the Spanish Court of Arbitration (discussed below) and the various chambers of commerce are usually best prepared to handle and simplify the mechanisms of arbitration.

However, the 1988 Act not only allows institutional arbitration, but the language of the Act actually creates a preference for institutional arbitration over ad hoc arbitration. This is because the 1988 Act does not provide for judicial assistance in initiating the arbitration or replacing arbitrators if some or all of the arbitrators chosen in an ad hoc arbitration do not accept their appointment, withdraw, or become incapacitated from rendering an award. A recalcitrant party can therefore force the dispute into the courts by refusing to appoint a new arbitrator.

On the other hand, if the parties have submitted to institutional arbitration, the institution itself may decide matters relating to the withdrawal or incapacitation of the arbitrators. Therefore, in light of current Spanish law, prudence dictates the use of institutional arbitration over ad hoc arbitration at this time.

International Commercial Arbitration in Spain

The principal arbitral institution in Spain active in the field of international commercial arbitration is the Spanish Court of Arbitration (La Corte Española de Arbitraje), created by Royal Decree 1094 in 1981. The Spanish Court of Arbitration, located in Madrid, administers international commercial arbitration in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL), without prejudice to other rules which parties may choose in its place. The recommended arbitration clause of the Spanish Court of Arbitration reads as follows:

Any disputes arising from the interpretation or execution of the present contract will be definitively resolved through arbitration by one or more arbitrators within the framework of the Spanish Court of Arbitration in accordance with its Statutes and the UNCITRAL Rules.

Parties are also free to use other rules of arbitration, such as those of the American Arbitration Association or the International Chamber of Commerce. The Charter of the Court, Royal Decree 1094, the UNCITRAL Rules, A schedule of fees and model arbitration clauses can be obtained from the Court by sending a request to: La Corte Española de Arbitraje, Claudio Coello, 19, 28001 Madrid, Spain.

As a result of the new Arbitration Act, the various chambers of commerce of the Spanish provinces are also forming arbitration tribunals. For example, the Madrid Chamber of Commerce and Industry has recently established the Court of Arbitration of Madrid, which can carry out both domestic and international arbitrations. The address of the Court of Arbitration of Madrid is: C/ Huertas, 11-2°, 28012 Madrid, Spain.

Domestic Arbitral Awards

Despite the international character of awards which may be issued by the above-mentioned courts of arbitration, such awards are considered domestic awards under the 1988 Act, and must be enforced accordingly. This is because the 1988 Act defines a foreign award as one which has not been rendered in Spain.

Domestic awards are executed by the Court of First Instance of the place where the award was rendered, according to the rules of the Code of Civil Procedure for the execution of final court judgments.

Foreign Arbitral Awards

The 1988 Act provides that the execution of foreign arbitral awards is governed by the terms of international treaties or, in the absence of such treaties, pursuant to the provisions of the Act. As mentioned earlier, a foreign award is defined as any award which has not been rendered in Spain. Spain is a member of numerous bilateral and multilateral treaties regarding the enforcement of foreign arbitral awards, the most significant of which is the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention). Foreign awards which a U.S. party wishes to have recognized and enforced in Spain will be subject to the criteria of the New York Convention.

In order to enforce a foreign award, a party must solicit its execution before the Civil Chamber of the Supreme Court. Execution of the award is performed in the same manner as the execution of foreign court judgments. Pursuant to the New York Convention, recognition and enforcement of the award may only be denied if the defendant proves that:

(1) the parties were not legally capable of entering into the arbitration agreement or the agreement was invalid based on the applicable law;

(2) a party was not duly notified of the proceedings or was unable to assert a defence;

(3) the award is beyond the bounds of the arbitration agreement;

(4) the arbitral tribunal was not duly constituted pursuant to the agreement or the laws of the country where the arbitration was held;

(5) the award is not yet binding on the parties or has been annulled or suspended;

(6) the subject matter of the dispute is not capable of settlement under the law of the enforcing country; and

(7) recognition or enforcement of the award would be contrary to the public policy of the enforcing country.

The Spanish Supreme Court has consistently affirmed that the defenses set forth in the New York Convention are the only defenses available to a party opposing enforcement of a foreign arbitral award in Spain, and the Supreme Court has construed these defenses narrowly.

The relatively modern provisions of the 1988 Act, along with the liberal interpretations given to the New York Convention by the Spanish Supreme Court, combine to assure U.S. parties who enter into arbitration agreements with Spaniards that in most cases a judgment in their favor will be enforced, whether the arbitration takes place in Spain or elsewhere. Ω

STEVEN KAHANER, *formerly a foreign associate with the law firm of J. y B. Cremades in Madrid, is now an associate with the law firm of Reid & Priest in New York.*

Iberia Takes Venezuelan Stake

Iberia Airlines recently took over the management control of the Venezuelan flag carrier, Viasa. According to the *Financial Times* of London, Iberia bought a 45 percent stake and its local partner, the Banco Provincial group, bought a further 15 percent, for a total of $145 million. This year the Spanish airline has acquired management control of Aerolineas Argentinas and the Chilean Ladeco.

Iberia also wants to buy a percentage of Chile's main carrier, Lan, as well as the Dominican carrier Dominicana de Aviación. These acquisitions in South America reflect the interest among the Spanish public sector for privatized assets in this continent. Ω

Miguel Jordana Returns To Spain

After being in New York for more than four years, Mr. Jordana has returned to a new assignment at the J. & A. Garrigues offices in Madrid. His position in New York has been taken over Mr. José Ramon F. Villar. Ω

St. Regis Reopens in New York

New York City's famous St. Regis hotel, originally built in 1904 by John Jacob Astor, has reopened after a three-year restoration costing more than $100 million. ITT Sheraton, which owns and operates the New York landmark building, realized the importance of restoring this historic hotel in such a major world capital. With 363 rooms, the St. Regis is located on 55th Street at Fifth Avenue and is part of Boston-based ITT Sheraton Corporation's network of nearly 500 hotels. Ω

Spain to Overtake UK in Advertising

Spain is set to overtake the UK and France to become the second largest advertising market in Europe, according to a forecast published by Carat International. As reported in *International Media*, Spain's ad revenue will grow by 20.6 percent this year and another 17.6 percent in 1992. This implies a total revenue of $10,926 million in 1992, up from $7,700 million in 1990.

This compares with a projected $9.578 million in the UK, and a $9.376 million in France. Germany is still in the lead with $12.136 millon in projected revenues by 1992, up from $10,850 in 1990.

The fastest growing medium in Spain is TV, which will increase its revenue by 25 percent this year. Ω

New Director at Banco Exterior de España

Mr. Iñigo de la Sota has been appointed the new director of the Banco Exterior de España in New York. He is taking over from Mr. Marcial Portela, who is going back to Madrid as Manager Director for the Banco Exterior de España. Mr. de la Sota has worked in the United States for five years. Ω

Barcelona's Consorcio Promotes Technology Transfer in Spain

The Consorcio de la Zona Franca de Barcelona, through its Barcelona Development Agency division, organized the First International Seminar on Technology Transfer held in Barcelona on October 24th and 25th. Experts from the United States and Europe discussed their experiences in their respective countries, and then related these experiences to the reality of today's Spain.

The seminar opened with the Mayor of Barcelona and the Chairman of the Consorcio, Mr. Pasquall Maragall. The keynote speaker at the luncheon was the Honorable Claudio Aranzadi, Minister of Industry of Spain. The American experts participating in the seminar were: Dr. Angel Jordan, ex-Provost of Carnegie Mellon University; Dr. Ray Smilor, executive director of the IC2 Institute, University of Texas at Austin; Dr. Ted Maher, director of the Extension Program at the U.S. Department of Agriculture; Dr. Mark Dibner, director of the Biotechnology Information Division at the North Carolina Biotechnology Center; and Dr. Chris Coburn, director of the Public Technology Program at the Battelle Institute in Columbus, Ohio.

This year, the Consorcio is celebrating its 75th anniversary. Ω

Alliance to Launch its Second Spanish Fund

Alliance Capital Management, a leading U.S. fund management group, plans to launch a Spanish smaller companies mutual fund on the London Stock Exchange. According to the *Financial Times*, the closed-end fund will invest in listed Spanish companies which have market capitalization of about $200 million or less, and where the free float of shares — those which are actively traded — amount to about $100 million or less. Banco Bilbao Vizcaya and Daiwa Europe are jointly responsible for allocating shares to international investors. Alliance Capital already manages the Spain Fund which is listed in New York. Ω

Spain's Sherry Producers Cut Sales

Spain's oldest surviving exporters, the sherry producers of southern Andalucia, are planning to rip out nearly a third of their precious

Profits Up at Banco Central

During the first half of 1991, Banco Central's profits went from 50.29 billion to 63.35 billion pesetas, rising 9.9 percent in comparison to the same period last year. The performance of the bank's various subsidiaries, Banco de Valencia, Banco Gallego and the Cepsa Group, made a major contribution to those results. Banco Central is also in process of merging with Banco Hispano Americano. The Cepsa Group alone posted for the first semester a consolidated pretax earning of 8.83 million pesetas, a 44 percent rise from the previous year.

In the U.S., Central has sought to strengthen its presence by establishing a more aggressive and personal marketing strategy. Mr. Pierre R. Dulin was appointed Vice President and Corporate Manager in the New York branch last summer. Coming from Madrid's main office, he will oversee marketing operations for the bank. Banco Central was ranked among the top 50 foreign banks in the U.S. last September. Ω

Palomino vines in the next few months in an attempt to save themselves from a collapse in sales to the U.K. in the last six years. The 60 families and bodegas that produce sherry around the vineyards of Jerez have all agreed to cut total registered sherry vineyards from 18,000ha to 13,000ha this year. The move reflects a downward trend in overall consumption, particularly in Spain's main market, the U.K., where ten years ago 65 million bottles were sold and today 35 million are sold. Ω

Fundacion Nueva Empresa

Fundacion Nueva Empresa has recently published its "Study for the Implantation of Companies in the Ebro Industrial Corridor" comprising of a book, a bilingual English/Spanish resumé/brochure and a video tape. The publication of this study concludes one of the first projects of the Fundacion, created last year by the Official Chamber of Commerce and Industry of Zaragoza and General Motors España S.A. The study's objective is to encourage economic and cultural development in the region of Aragon. Ω

Tibest Tres Acquires Stake in UK Construction

Tibest Tres of Spain, a civil engineering company jointly owned by Entrecanales and Cubiertas, has recently bought a 21.5 percent stake in Glagow-based Lilly. According to the *Financial Times*, two Cubiertas representatives have been invited to join the ten-member Lilly board. Tibest Tres entered into a standstill arrangement for three years, preventing it from raising its stake in Lilly above 23 percent

Cubiertas is the main contractor on the Garibaile dam as well as various projects for both the Barcelona Olympics and Expo '92 in Seville. Entrecanales' current projects include work on the Large Electron Positron collider for Cern in Geneva. Ω

Banco Santander Issues $200M in Preferred Stock

According to *ABC*, Banco Santander has become the first Spanish bank to issue preferred stock in North America. The capital raised in this transaction will reinforce the bank's core capital as defined by the Bank for International Settlements in Basle, Switzerland.

The issue was arranged by Merrill Lynch and the Goldman Sachs, Lehman Brothers, Kemper Securities and Paine Webber participated in the placement. Ω

Industrial Products Promotion Center Initiates JV Program

The Industrial Products Promotion Center has actively started the follow-up of industrial projects and technology transfer.

The objective is to attract the participation of Spanish companies specialized in construction or the manufacturing of capital goods in projects carried out by American contractors, both in the United States and overseas with emphasis on Latin America.

With already identified projects the task will consist of promoting Spanish companies as suppliers of products and services to the contractor awarded with a project.

At the same time, the Promotion Center will try to identify projects before contractors are nominated, informing both contractors and design companies in Spain of the terms and conditions for participating in such projects.

The Industrial Products Department is compiling a list of companies in Spain that have the technical expertise to participate in such projects and that have expressed interest in being included in such a list. This list will be submitted to the most important American contractors.

In addition, as projects are identified, they are entered into a data base at the Institute for Foreign Trade (ICEX) in Madrid, in order to keep Spanish contractors and designers informed of American business opportunities. Ω

Compiled by The Business Link *interns*.

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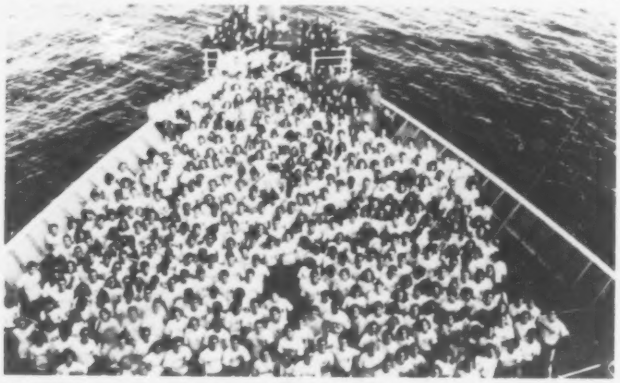
Spain '92 and the Quincentennial Year

Adventure '92 and "Eyes of the Goddess" provide a bright beginning to the Quincentennial Year. During this 12-month period, which runs from Oct. 1991-Oct. 1992, international Quincentennial activity will reach its highest pitch. To ensure that the year gets off to a good start, the Sociedad Estatal Quinto Centenario and the Spain '92 foundation have helped develop an impressive array of Fall events. Activities include cultural and educational projects as well as the departure of the Niña, Pinta and Santa Maria from Palos de la Frontera on Oct. 12, 1991.

Adventure '92

Adventure '92 is one of the Quincentennial's most important educational programs. This year 500 students from all over the world have embarked on an exciting voyage of discovery and encounter aboard the "floating school" Guanahanl.



The Quincentennial's floating school.

The young students (ages 16-17) are taking part in a rich and varied program which includes: challenging courses designed by Madrid's Universidad Complutense, Pre-Columbian-style sporting events, cultural exchanges, and trips up the Amazon.

The four previous editions of Adventure '92 traced Columbus's voyage to the New World. This year students left Huelva, Spain, on Sept. 16 to follow the course of Vicenic Yañez Pinzón, who in 1500 explored the Brazilian coast and the mouth of the Amazon. Stops include the Dominican Republic, Venezuela and Brazil.

Two special features of the 1991 edition help mark the beginning of the Quincentennial Year: 1) the Guanahanl will meet up with the Niña, Pinta and Santa Maria in the Canary Islands before its return to Spain at the end of October; and 2) the program has been expanded to include all of the countries which make up the International Conference of Official Quincentennial Commissions. As a result, the ten U.S. students are sharing their great adventure with Ibero-Americans, Europeans, Asians, and Pacific Islanders.

The 1991 U.S. selection process was handled by the Spain '92 Foundation and the National Hispanic Quincentennial Commission in collaboration with the National Council of La Raza's Project EXCEL. The selection process and routes for subsequent editions of Adventure '92 are currently under development.

Adventure '92 students enjoy a Pre-Columbian style event.

Supported by the Banco Español de Crédito (Banesto), the project's Exclusive Sponsor, Adventure '92 has earned UNESCO's official recognition and forms a vital part of Spain's worldwide Quincentennial program.

Eyes of the Goddess

Hundreds of high-quality cultural events will take place throughout the Quincentennial Year. One of the most important, the Martha Graham Center of Contemporary Dance's ballet, "Eyes of the Goddess," got the year off to a good start with its Oct. 8th, 1991, premiere at the New York City Center.

Commissioned by the Sociedad Estatal Quinto Centenario and the Spain '92 foundation, "Eyes of the Goddess" represents Martha Graham's last work. The renowned choreographer spent her last months working on the ballet and had completed about 15 minutes of it before her death on April 1, 1991. Even unfinished, the production remains a tribute to her creative genius.

Using music by Catalan composer Carlos Surinach, "Eyes of the Goddess" was envisioned as a study of the transmigration of the eternal goddess figure from the Old World to the New. In a highly appropriate Quincentennial connection, the ballet symbolized for Martha Graham "the terror of discovery and the fear of searching for the unknown."

"Eyes of the Goddess" was accompanied in its New York premiere by "Appalachian Spring," Mikhail Baryshnikov in "El Penitente," and the "Maple Leaf Rag." Following the performance, a gala dinner was held at the Plaza Hotel, with Jaqueline Onassis as the President of Honor.

A highlight of the Quincentennial in the U.S., "Eyes of the Goddess" is also expected to be performed at the Universal Expo in Seville in June of 1992. Subsequently, the production will tour throughout Europe. Ω

JOHN-MARSHALL KLEIN *is employed by the Spain '92 Foundation, a U.S. non-profit organization founded by the Spanish government to promote and coordinate the Quincentennial.*

Expo '92 Sponsor Update

A number of leading national and global corporations have joined the United States Pavilion as sponsors and donors since our last report in the summer issue of *The Business Link*. Their support of this critical international event will not only enhance and add prestige to our national presence at Expo '92, but will give them exposure to over 8 million visitors expected at the pavilion during the six-month exposition. The U.S pavilion offers venues for many different types of participation, including Pavilion Trust members, exhibitors, or donors of goods and services.

American International Group, Inc. has made a challenge pledge of $500,000 to be the first of five co-sponsors to underwrite the Bill of Rights Exhibit. *(See Bill of Rights article on the next page).*

American Trucking Associations (ATA) has graciously agreed to obtain the domestic trucking needed by the Pavilion from its member companies. The ATA federation includes more than 4,100 motor carriers and suppliers, members, and affiliated associations in every state. We are grateful to Carolina Freight Carriers and Commercial Carriers Corporation, both of North Carolina, for handling our first trucking assignments.

Beaulieu of America, the second largest carpet manufacturer in the U.S., will provide its fine-quality carpeting for the U.S. Pavilion's VIP reception rooms and the administration areas. Beaulieu is part of the international Beaulieu Group of Companies, largest carpet manufacturers in Europe, with factories there as well as in Australia, South Africa and Canada.

DHL Worldwide Express joins the U.S. Pavilion Trust as a donor with their cash donation and an in-kind contribution of overnight express delivery service. DHL, which has an extensive business network and offices throughout Europe, will also provide a much needed service by opening a "DHL Express Center" on the pavilion site.

Fitz and Floyd, manufacturers of hand-painted giftware and decorative accessories, will create and donate the china and accessories to be used at the U.S. Pavilion, as well as presentation gifts for VIP guests and heads of state. Fitz and Floyd also lends its support as a member of the U.S. Pavilion Trust and of the Design Team.

Kansas City is the first city to join the Pavilion, in celebration of its sister-city relationship with Seville and of its trade and tourism potential. Through holograms and hi-tech visual illusions, the Kansas City Exhibit will explore the city's western and prairie heritage, and its famous personalities, such as Jesse James, Harry Truman and Ernest Hemingway.

Warnaco Inc., a Fortune 500 company, is donating the uniforms for the pavilion guides and protocol assistants. Designs for these will be especially created by Warnaco's Hathaway group, ensuring an image of casual elegance and style. Ω

President Bush Receives U.S. Pavilion Sponsors

A very successful series of events brought to Washington, D.C. almost all the sponsors of the United States Pavilion at Seville Expo '92 on June 20th. The highlight of the day was a visit to President Bush in the Oval Office. USIA Director Henry E. Catto and U.S. Commissioner General Frederick Bush joined the President and Vice-President Quayle (see photo) in thanking the sponsors for their leadership role in this unique public-private partnership. Ω

(From left) Frederick M. Bush, U.S. Commissioner General, Seville Expo '92; Vice President Quayle; Robert Scavone, Vice President Finance and Planning, Atlantic Division, Sea-Land Service, Inc.; Robert W. MacGregor, Chairman, Kansas City/Seville Expo '92 ; President George Bush; Paolo Guidi, President, Sprint International; Tommaso Zanzotto, President, American Express Travel Related Services, Inc.; Walter H. Dunn, Vice President, Prestige Accounts, The Coca Cola Company; Kenneth R. Marvel, Chairman and CEO, Fitz and Floyd; Bruce E. Thompson, Jr., Vice President, Director of Governmental Affairs, Merrill Lynch & Co., Inc.; James Fitzpatrick, Vice President, Communication and Marketing Staff, General Motors Corporation.

The U.S. Pavilion Design Team

Among the many contributors to U.S. Pavilion is the U.S. Design Team, composed of companies that have provided goods and services for use in representational areas of the Pavilion, consular offices and official residence. Over fifty heads of state as well as countless leaders are expected to visit Expo '92 and many of them will come to the U.S. Pavilion. The contributions of the Design Team will represent American taste and quality and lend prestige and grace to United States Pavilion receptions. These companies include Allied Signal Inc., Baldwin Piano & Organ Company, Century

Furniture, Fitz and Floyd, Inscribe Inc., Lascaris Design International, Lunt Silversmiths, Oneida Crystal, Wildwood Lamps and Wunda Weave Carpets. Ω

Pavilion Sponsors Announced at Press Briefing

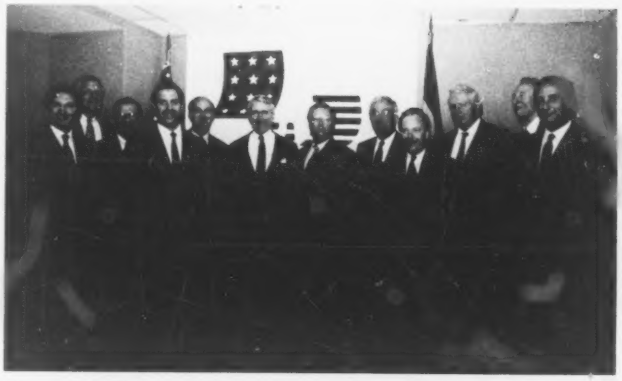
The visit to the White House was followed by a press event to announce eight U.S. corporations as official sponsors of the U.S. Pavilion. They included American Express Travel Related Services, Coca-Cola, General Motors, Merrill Lynch, Sea-Land Service Inc., and Sprint. In addition, the American Plywood Association and Kansas City will create exhibits while the National Aeronautics and Space Administration (NASA) has joined as a Trust member. *(See article in our Summer issue).*

USIA'S new director, Henry E. Catto, just returned from his position as Ambassador to the United Kingdom, embraced the project as his top priority and a "unique opportunity for corporate America to establish a beachhead in the European Community."

Joining Ambassador Catto at the media briefing were Secretary of Commerce Robert Mosbacher, U.S. Commissioner General Frederick M. Bush, and Spain's Ambassador to the U.S., Don Jaime de Ojeda. Referring to the Seville Expo as a unique and important opportunity for the nations of the world to see what's going on in one another's countries, Secretary Mosbacher added, "we in the United States are extremely proud of what the private sector is doing". Ω

Spanish Ambassador Hosts Luncheon for Sponsors

The day's events were topped off by an elegant formal luncheon hosted by his Excellency Don Jaime de Ojeda in honor of the announced Pavilion sponsors and a number of interested corporations and organizations. In the setting of the beautiful residence in Washington, D.C., with an indoor courtyard modelled after a Spanish patio, with fountains, palm trees and Andalucia's famous "azulejos," the legendary hand-painted tiles of southern Spain, sponsors met each other, members of the Spain-USA Chamber of Commerce and officials from the White House, USIA,the Departments of State, Commerce and the Navy. Toasting his guests, Ambassador Ojeda stressed the importance of America's influence in the global economic marketplace, adding "U.S. business and technology continue to represent leadership in these fields in the world." Ω



(From left) Tommaso Zanzotto, President, American Express Travel Related Services, Inc.; Robert W. MacGregor, Chairman, Kansas City/Seville Expo '92; James Fitzpatrick, Vice President, Communication and Marketing Staff, General Motors Corporation; Robert Scavone, Vice President Finance and Planning, Atlantic Division, Sea-Land Service, Inc.; Frederick M. Bush, U.S. Commissioner General, Seville Expo '92; Henry E, Catto, Director, U.S.I.A.; Ambassador Jaime de Ojeda, Ambassador of Spain; Eugene P. Kopp, Deputy Director at USIA; Kenneth R. Marvel, Chairman and CEO, Fitz and Floyd; Walter H. Dunn, Vice President, Prestige Accounts, The Coca Cola Company; Kenneth Crosby, Diplomatic Liaison, Merrill Lynch & Co., Inc.; Paolo Guidi, President, Sprint International.

Bringing the Bill of Rights To the World!

As barriers to freedom are falling around the world and more and more countries look to the United States and its democratic system, our Bill of Rights stands as the symbol of our individual liberties and our freedom to dissent, to dream and to discover. Now, we have an opportunity to showcase this treasured national document at the largest international event ever held — the 1992 Universal Exposition in Seville, Spain.

The Philip Morris Companies, Inc. have generously agreed to donate their state-of-the-art, multi-media Bill of Rights exhibit for display in the United States Pavilion. The exhibit will go to Seville following completion of its 50-state bicentennial tour in December. Virginia's original copy of the Bill of Rights, on loan from the State Library and Archives, is featured in the domestic tour.

USIA'S mission is to tell America's story to the world: who we are, how we live, and perhaps most importantly, what we believe in. What better way to tell that story than through the Bill of Rights exhibit in the United States Pavilion? And yet, an original copy of the Bill of Rights has never before been exhibited outside the United States!

The Pavilion is grateful to Mr. Maurice Greenberg, CEO of the American International Group, Inc., for his challenge pledge of $500,000 to be matched by four other co-sponsors of this important exhibit. The Bill of Rights exhibit is about ideas — powerful, persuasive, and poetic — ideas incorporated in a document whose relative brevity and simplicity understate its importance to our country and to the world. Ω

For information on sponsorship opportunities in the Pavilion, please contact Betsy Tyson, Director of Private Sector Participation, at (202) 401-7162.

ROSE-ANNE BARTHOLOMEW *works for the United States Information Agency in the office of the U.S. Commisioner for Seville Expo'92 and is responsible for corporate relations.*

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A U.S. First for Spanish Real Estate Development

Banco Santander's building in Manhattan will combine pioneering frame design with architectural elegance

BY MARCELINO MOLDES

Centrally located in midtown Manhattan at 43-49 East 53rd Street between Madison and Park avenues, the Banco Santander Edificio España will be the first construction project financed by a major Spanish company. The Madrid-based Banco Santander's bold real estate endeavor will culminate in a 110,000 square foot, twenty-story office building that uses pioneering architectural design: a free-column steel frame built on poured concrete over an 80,000 square foot steel deck foundation area.

The building's construction will be completed in early 1992, replacing the present 70-year-old Safa Building, purchased by Banco Santander in 1988, who deemed it less expensive to demolish than to renovate. The Manhattan-based development team members include architects Rogers, Burgun, Shahine & Deschler Inc., and consulting architects Clark, Tribble Harris & Li, with collaboration from the office of Jefatura Central de Inmuebles of Banco Santander and from Gonzalo Echenique and Alfonso Millanes, architects from the bank.

The architectural challenge faced by the designers and developers was to respond to the elegant yet corporate architectural style that prevails in this high-rent neighborhood. The Banco Santander building will be in the distinguished company of such structures as the Helmsley Palace, St. Patrick's Cathedral, Park Plaza and the Lever House, one of New York's finest buildings, designed by Gordon Bunshaft. Mies Van Der Rohe's Seagram Building and McKim Mead & White's turn-of-the-century New York Racquet Club are nearby standard-setting structures.

The impressive design features include a 4000-square foot granite-floor lobby, which has four state-of-the-art electrically operated passenger elevators. The final interior finishes for the lobby wall, ceilings, and office units have not yet been determined. The central portion of the east facade, facing Park avenue and overlooking the low-rise base of the Lever House, will curve upwards with a four-story stainless steel decorative circle near the top beneath the mast. The final square foot spacing and mechanical system for the commercial banking center is based in separate units on each floor, providing each tenant with direct control over heating, air conditioning and sources of electricity.

Exterior finishes of the new building will consist of a dark and light gray granite, gray-green tinted glass, clear anodized aluminum, a ground face black, and a 2800 square foot two-story mechanical penthouse topped by a 26 foot high gray duranar-coated steel mansard roof over structure.

The Banco Santander building is an example of an architect's response to the existing standards of aesthetic grace and professionalism that are the noted hallmarks of this high-rent neighborhood. Ω

MARCELINO MOLDES *is a Vice President at the New York City-based architecture firm of Rogers, Burgun, Shahine & Deschler, and project manager for the Banco Santander Building.*

'Wines of Spain' Launches Fifth U.S. Rioja Campaign

Consumer awareness has broadened the U.S. market position of Rioja wines

BY SERGIO ALLARD

October 1, 1991, marked the beginning of the fifth consecutive year for the brand-generic advertising and promotional Rioja campaign in the United States. The campaign consists of advertising in consumer and trade media, tastings in various metropolitan areas, a commercial tour of winemakers which included tastings for customers, seminars for the trade, and meetings with the press, plus production of promotional materials and public relations activities.

Since the start of the Rioja campaigns in September 1987 in the American market, the positioning of the Rioja wines has changed considerably.

The segmentation of the quality still wine market can be simply divided into three parts: (a) the varietal segment, (b) the "good value" segment, and (c) the regional-generic segment.

In the last four years, a collapse of low-priced wines has been evident. A large part of the decline of imported table wines—from fifty million cases in 1984 to a little more than twenty-one million cases in 1990—could be attributed to the decline of the Italian lambruscos and other low-price wine categories.

Wines from Chile, some French regions, Italy, California, and Australia, are competing for the "good value" position which has been traditionally occupied by the red crianzas and young Rioja white wines making this segment more varietal-oriented.

Inspecting the color of Rioja by candlelight.

The regional-generic segment consists of quality wines from wine regions and districts that are highly recognized by the trade and consumers. These include wines from Bordeaux, Burgundy, and Chianti which clearly have a solid position. By contrast, those from Napa, Rioja and Rhine are only marginally known.

Historically, the Rioja wines were perceived as "good value," with a high quality/price relation for various reasons including low production costs relative to the European wine regions. This afforded the Rioja producers an advantage over its competitors because, as the Rioja producers left the marketing in the hands of their importers, the wines were sold based only on low prices.

Over the past few years, however, the position of Rioja wines in the U.S. market has been moving toward the regional-generic market and is more frequently being recognized by the wine region or area among consumers and the trade. Nevertheless, the trade is starting to perceive as "good value" the Rioja reservas and Gran reservas.

There are several reasons for this transitional period in which the Rioja wines are migrating from the "good value" segment and are starting to be recognized as wines from a specific region. One of the goals of the campaign in the U.S. has been to create an image of quality, prestige and excellence for the Rioja wines, in order to attain a solid market position, independent of the price fluctuations that conform to their intrinsic value.

Another important factor, not related specifically to Rioja, that has contributed to the change of the positioning is none other than the revaluation of the peseta in relation to the U.S. dollar.

In 1985 the exchange rate was 170 pesetas for 1 dollar, in 1990 it was only 102 pesetas, and came down to 92.52 pesetas to a dollar in February 1991. These exchange rate fluctuations of the peseta, coupled with increases in salaries and other costs, including the price increases of grapes, have diminished the profitability of exports to the United States, and consequently has forced the Rioja exporters to increase their prices.

If we make a simple analysis of the last four years of the Rioja campaign, combined with promotional and advertising activities carried out by participating and non-participating wineries and efforts prior to the materialization of the brand generic campaign, we must conclude that the results are mostly of a qualitative nature.

In spite of Rioja's transition, its wine shipments have not been affected as much as those from other European quality wine-producing regions. If at this point, before attaining a position in the regional-generic category where competitive pricing is important but not essential, we were to abandon the promotional and advertising efforts, we would seriously risk losing our position in the "good value" segment, while obtaining the necessary recognition from the U.S. wine merchants and consumers as being among the most prestigious wine regions in the world. Ω

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Demings' Message For the 1990's

The Quality Guru wants to teach the U.S. what Japan already knows

BY ANDREA GABOR

For U.S. companies, the Fall has come to be much more than just a prelude to the holiday selling season. It marks the start of a new annual ritual dedicated to the management mantra of the 1990's — the pursuit of quality and competition for the Malcolm Baldrige National Quality Awards.

Created in 1987 by the Commerce Department, the Baldrige Award was to be much more than a congratulatory medal. In over a dozen pages of application criteria that serve as a blueprint for achieving quality, the Baldrige challenges companies to marshall all of their resources, including suppliers and employees, to constantly improve every process in their organizations. Already, past winners of the award, including IBM and Xerox Corp., have spread the quality message throughout U.S. industry as well as the public sector. But as this year's recipients walk away from the fourth annual award ceremonies in Washington, it is unclear whether the Baldrige will succeed in giving U.S. companies the extra edge they need to beat foreign rivals in the 1990's.

> **Deming contends that most performance reviews and rankings are in fundamental conflict with efforts to foster teamwork and quality**

Perhaps the most important thing about the "Baldie" is that it was modeled after a 40-year-old quality prize that has proven to be one of most powerful weapons in Japan's industrial arsenal. Japan's Deming Prize got its name from W. Edwards Deming, a 91-year-old American who helped transform the Japanese economy after World War II. A physicist by training and a statistician by vocation, Deming based his theories on the simple scientific observation that all processes suffer some level of variation that is likely to diminish quality. Thus, any system, whether involving people or machinery, can only be as good as management's ability to control those variations. The use of statistical analysis emerged as the best means for spotting problems and improving everything from manufacturing to product development.

In Japan, "continuous improvement" quickly became the watchword of the total-quality-control (TQC) movement. During the last few decades, the prize has been clinched by a Who's Who of companies that have delivered powerful blows to U.S. industry, including Toyota, Komatsu and Ricoh.

In the early years, the Deming Prize was awarded to manufacturers for improving their production processes. But soon it became a moving target. By the 1970's, only companies that had mastered process improvement throughout the corporation — in marketing and product design as well as manufacturing — had a chance of winning.

American quality experts acknowledge that it will be years before the Baldrige judges can apply the same rigorous standards to U.S. applicants as their Deming Prize counterparts.

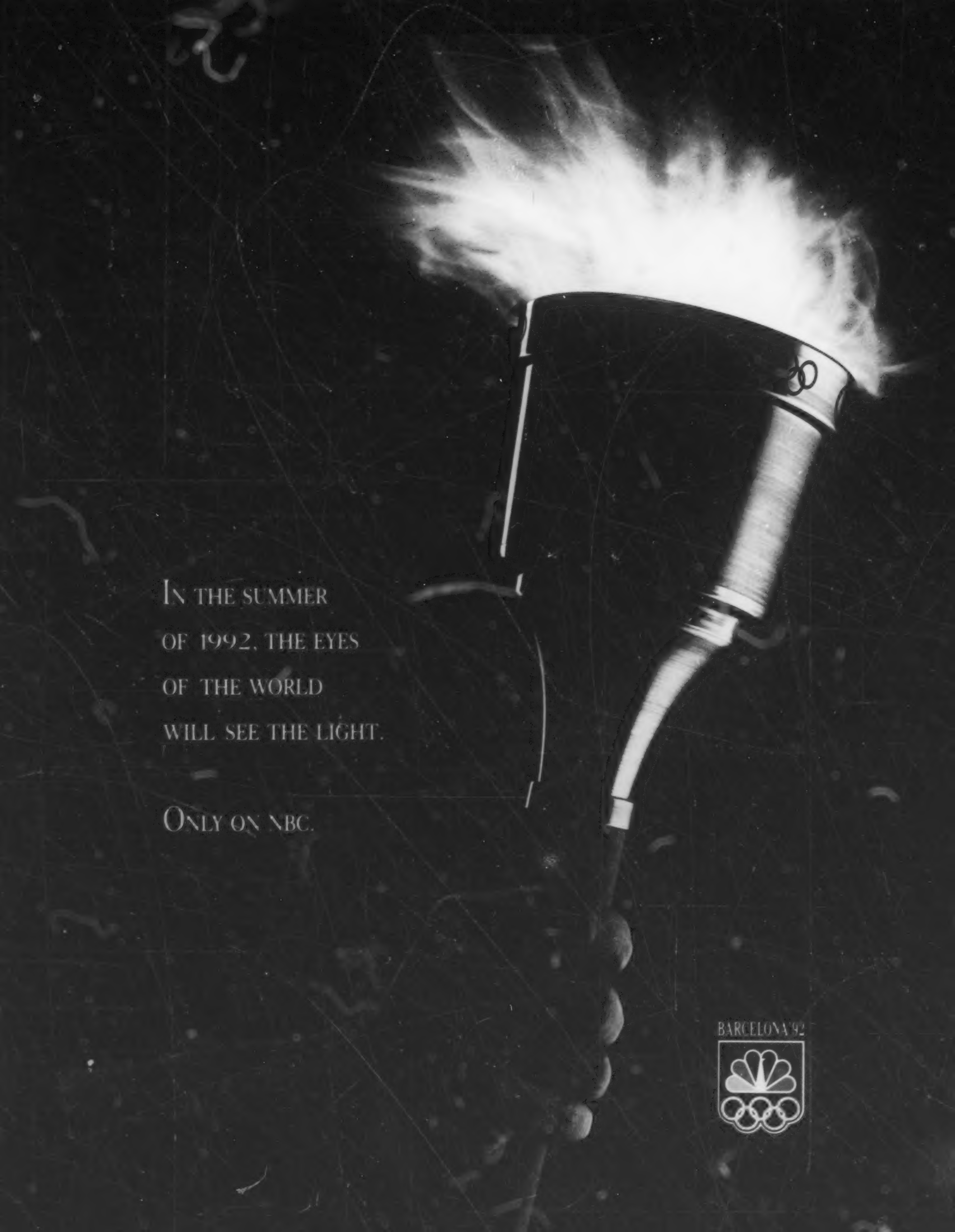
Maybe it's time to start listening again to W. Edwards Deming. These days Deming is pushing some controversial ideas about employee performance appraisals. At a time when companies are searching harder than ever for new ways to motivate employees, Deming contends that most performance reviews and rankings are in fundamental conflict with efforts to foster teamwork and quality.

Not only is America's corporate star system counterproductive, contends Deming, it violates his teachings on variation. According to Deming, if management does its job well, in terms of hiring and training employees, then people will do their best, and their best will be good enough. There will always be variation in performance. But any effort to rate the performance of individuals will be inaccurate and likely to demotivate employees. It will be inaccurate because there's so much outside variation that it is virtually impossible to separate his performance from that of the system. Traditional performance ratings, says Deming, "are just a substitute for poor management."

So, how is American management taking to the latest pronouncement by this famous quality guru? Most companies have turned a deaf ear. But a few, including some units of General Motors, are experimenting with a system that is designed to foster cooperation between employees. This means that employees aren't ranked in relation to each other. And compensation is decoupled from performance appraisals—instead, pay raises are based on seniority and expertise and the results achieved by an entire team or division. In recognition of the fact that no one works in a vacuum, appraisals are based on an assessment of colleagues, subordinates, and superiors.

As competitiveness increasingly hinges on improved service and speedier product development, the companies most successful in harnessing the creativity, productivity, and goodwill of their employees will be the winners in the 1990's. Ω

ANDREA GABOR *is author of* The Man Who Discovered Quality: How W. Edwards Deming Brought the Quality Revolution to America, *which is published by Times Books/Random House. She lives in New York City.*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